Austria	Sch30	Indonesia	Rp3100	Pakistan	Rs21
Bahrain	Din0.900	Iran	[illegible]	Philippines	[illegible]
Belgium	BFr60	Israel	[illegible]	Poland	Zl 15,000
Cyprus	C£1.00	Italy	L2200	Portugal	Esc175
Czech	Kcs35	Jordan	JD1.20	Qatar	[illegible]
Denmark	DKr12	Korea	Won 2000	S.Arabia	[illegible]
Egypt	E£3.50	Kuwait	Fils.500	Singapore	S$4.10
Finland	FM10	Lebanon	L£1,800	Spain	Pta175
France	FFr8.00	Lux	LFr60	Sweden	SKr13
Germany	DM3.00	Morocco	MDh10	Switz	SFr2.70
Greece	Dr200	Neth	Fl 3.50	Thailand	Bht50
Hungary	Ft145	Nigeria	Naira15	Tunisia	Din0.800
Iceland	IKr180	Norway	NKr13.00	Turkey	L5000
India	Rs20	Oman	OR1.20	UAE	Dh8.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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Monday November 4 1991

Φ D 8523A

MANAGEMENT

New networks for the working woman

Page 10

World News

'Star Wars' boosted by compromise in Congress

Washington's ambitions to develop a "Star Wars" defensive system against missile attack took a decisive step out of the laboratory thanks to a compromise by Congress over this year's defence budget. A radical advance in funding has been agreed. Page 14

Imelda flies home

Imelda Marcos, widow of the late President Marcos, left Honolulu to return to the Philippines for the first time since she and her husband were exiled five-and-a-half years ago. Page 14

Mobutu blames France

President Mobutu Sese Seko of Zaire attacked interference in his country by the west and particularly by France, during an interview. Page 14

Jesse Jackson stays out

Black populist politician Jesse Jackson will not be a candidate in the US presidential election next year. Page 2

IRA bombs hospital

The possibility of re-introducing internment in Northern Ireland was back on the political agenda after two British soldiers were killed and seven other people injured when an Irish Republican Army bomb exploded at the military wing of a Belfast hospital. Page 6

South African rights

A draft bill of rights released by the South African Law Commission pours cold water on notions of politicians on both sides of the political spectrum. Page 2

Barbados strike

Trade unions in Barbados have called a general strike today and tomorrow in protest at economic austerity imposed by the government under a credit agreement with the International Monetary Fund. Page 2

Renault workers warned

Managers at France's state-owned carmaker Renault, warned striking workers on the 18th day of a sit-in to leave its Cleon factory in north-west France or face legal measures.

Nobel winner's health

Reports that Nobel Prize-winning dissident Aung San Suu Kyi is critically ill on hunger strike in Burma appear aimed at forcing the military government to prove she is alive and well, diplomats said.

Chiluba's first day

Zambia's new president Frederick Chiluba attended church, then started consultations about forming a government on his first full day in power. Model of disaster, page 2

Korean mystery blast

A mystery explosion which rocked a North Korean town last Wednesday killed up to 80 people and wrecked or damaged hundreds of buildings, a South Korean source said.

Sikhs take cyanide

Three Sikh militants, including a former paramilitary policeman, killed themselves with cyanide in Amritsar rather than face capture after being tracked down by troops.

Mort Shuman dies

American songwriter Mort Shuman, who wrote hits for Elvis Presley and the Drifters, died in London aged 52.

Marathon winners

Scotland's Liz McColgan and Mexico's Salvador Garcia were the New York City marathon winners. McColgan, winner of the women's race, was running her first marathon.

Australia champions

Australia won the Rugby World Cup, defeating England 12-6 in the final at Twickenham. Page 6

Business Summary

UK public spending could rise by up to £7bn

The UK government is expected this week to announce an increase of up to £7bn ($12bn) in planned public spending for 1992-93, reducing the already slim chances of a pre-election income tax cut in next year's Budget.

Increased public spending, particularly on state education and transport, is understood to have been agreed by the Treasury to boost the government's appeal with the electorate. A general election must be held in Britain before July next year. Page 14, Labour party strategy, Page 6

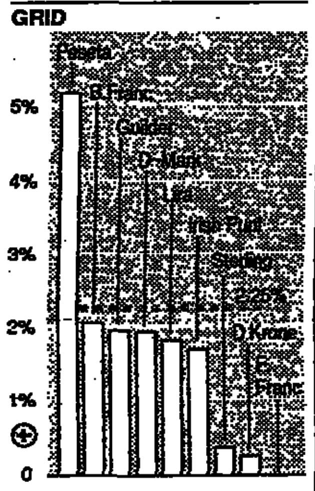
EUROPEAN *Monetary System:*

ERM currencies were broadly steady last week as attention focused on the dollar. The D-Mark strengthened slightly on speculation that German interest rates may rise this year. The Spanish peseta stayed at the top of the system, buoyed by high interest rates. The Danish Krone and French franc remained at the bottom after the recent cuts in interest rates. Currencies, Page 25

The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the EMS narrow

EMS November 1, 1991

GRID



band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. Sterling and the Spanish peseta operate with 6 per cent fluctuation bands.

AMERICA West, bankrupt US domestic carrier in which Australia's Ansett Airlines holds a stake and which has a "frequent flier programme" link with the UK's Virgin Atlantic, reported a net loss of $85.2m in the third quarter – up from a $22m deficit. Page 17

CORPORATE credit ratings worldwide continued to deteriorate in the third quarter, but at a slower pace than in the first half, according to Financial Times Credit Ratings International. Page 15

HAWKER Siddeley, UK engineering group, confirmed it will be sending shareholders a forecast of profits down 7 per cent this year at £130m ($224m) as part of its defence against the hostile bid from BTR, the UK conglomerate. Page 16

FIRST fund specialising in investments in Vietnam is set to begin operations with just over $10m subscribed. Page 17

UK government is taking steps to prevent large investors artificially depressing the price of British Telecom shares ahead of the £5bn ($8.75bn) offer for sale of stock in the company next month. Page 15

ATTWOODS, financially stretched waste management group, has dismissed legal proceedings against it, including a criminal investigation by the US Defence Department, as unlikely to have a "significant adverse effect". Page 16

Russia urged to introduce radical economic reform

By John Lloyd in Moscow

RUSSIA must institute economic reform independently of other Soviet republics, create its own currency and central bank and move towards convertibility on its own, according to Mr Egor Gaidar, the economist drafting the economic policy of the next Russian government.

Mr Gaidar, likely to be the economic overlord of that government, told the Financial Times yesterday that "whatever government would now run Russia, it has no choice: it must take its own steps."

He said price reform, which might raise the general level of prices twofold, would go ahead within the next two months. Only "natural monopolies – communications, railway transport and rents, together with a few basic foodstuffs as milk, bread and children's food," would continue to be controlled for a limited time.

Price rises should accompany two measures of privatisation – initiated through decrees of Mr Boris Yeltsin, the Russian president, who has said he will head the new government.

First, shops and small enterprises will be "forcibly privatised" through their controlling bodies being ordered to offer them for lease to their workers. If the workers will not lease them, they will be publicly auctioned.

Second, the larger state enterprises will be transformed into joint-stock companies, with boards of directors whose success will be rewarded by shares. The workers will be given 15 to 20 per cent of the shares, and foreign companies will be invited to invest.

Mr Gaidar said: "I do not think that foreign capital will buy up all of Russia, and thus in general we should welcome it. Only in two sectors – oil and gas, and the defence industries, would there be some controls – though there too it should be encouraged to invest."

Russia must soon begin to treat the other Soviet republics as it does foreign states, charging them hard currency for its resources and commodities. It should, in the near future, take over responsibility for the Soviet foreign debt of $60bn-plus, and should thus claim the bulk of the gold, diamond and hard currency reserves.

Mr Sergei Shakhrai, Mr Yeltsin's senior legal adviser, yesterday said the Russian president was set to lift restrictions on foreign exchange and liberalise trade procedures.

He predicted that Mr Yeltsin would soon sign a decree replacing the current three-tiered system of exchange rates with a rate dictated by market forces. It would also give Russians the right to "unlimited, unhindered purchase of foreign currency".

Mr Gaidar said the Russian government was likely to be announced "in the next few days" – and said he would serve in it if Mr Yeltsin agreed to appoint close colleagues to work with him on economic reform. However, he said "there is great pressure on the president now, with many competing claims."

Details, Page 4

Agreed statement describes 'businesslike atmosphere' in Madrid

Progress in Mideast talks

By Hugh Carnegy and Tony Walker in Madrid

ISRAEL agreed last night to historic talks with Palestinian and Jordanian negotiators aimed at solving their long-standing dispute.

The two sides said after their first ever face-to-face bilateral negotiations they would continue substantive discussions on arrangements for Palestinian self-rule in the Israeli-occupied West Bank and Gaza Strip.

The tone of a statement by the Jordanian-Palestinian delegation, endorsed by Israel which helped circulate it, was surprisingly positive and indicated the three parties had made unexpected progress in two preliminary sessions in Madrid yesterday.

In the statement, read after the second round of talks, the Jordanian-Palestinian delegation said: "The talks were held in a good businesslike atmosphere."

Significantly, Israel accepted without demur a reference in the statement that negotiations would be on the basis of the key United Nations resolutions 242 and 338. The Arab side insists these resolutions dictate that any peace agreement be based on an Israeli withdrawal from occupied territory.

Israel also did not dispute that the negotiations would be conducted on separate Palestinian-Israeli and Jordanian-Israeli tracks.

Israel, which disputes the Arab interpretation of the two UN resolutions, stressed that the negotiations "concerning the Palestinians will in the first phase deal with interim self-government arrangements as agreed".

Last night, Israel also began direct negotiations with Lebanon and was due later to open talks with Syria, in spite of an earlier refusal by the two countries to go ahead with bilateral negotiations which form the

Page 3

- Palestinians win battle to present message to world
- Mubarak and Peres are optimistic
- Arafat reaffirms PLO presence at Madrid talks

next phase of the US-brokered Middle East peace process, launched by last week's three-day ceremonial conference in the Spanish capital.

The discussions between Israel and the joint Jordanian-Palestinian team concentrated on where and when they would continue the talks after the initial meeting in Madrid. The chief subject for the talks will be the establishment of an interim period of self-rule for Palestinians in the Israeli occupied territories which will precede negotiations on a final settlement.

Officials were clearly heartened and perhaps a little surprised by what they had achieved. "It was a good discussion in a good atmosphere," said Mr Eliaykim Rubinstein, the head of the Israeli delegation, after the morning session.

A discordant note intruded, however, when Mr Yassir Arafat, the chairman of the Palestine Liberation Organisation, said in Tunis that the Palestinian delegates represented his organisation. Israel refuses to negotiate with the PLO and Mr Arafat had been under US and Arab diplomatic pressure not to upset the peace process.

Syrian and Lebanese negotiators failed to turn up for their scheduled morning meetings, drawing bitter denunciations from Mr Binyamin Netanyahu, the Israeli deputy foreign minister and delegation leader.

Syria objected to Israel's insistence that the bilateral talks in Madrid should be confined to discussions on where and when negotiations would continue. Damascus rejects an Israeli call for the talks to take place partly in Israel.

Talking peace: chief Palestinian negotiator Haidar Abdel-Shafi (left) after the meeting

George Graham adds from Washington: Mr Baker said yesterday getting all parties to the conference and beginning bilateral talks was an achievement, and that he would work to keep them going.

"We had them involved, all of them involved, during stage one and we are still very hopeful that they will all be involved during stage two of the bilateral negotiations," he said in a television interview.

Mr Baker acknowledged that he had not yet been able to "close all the gaps", and said if necessary, he might suggest an alternative process to keep the peace talks going.

"I think they all see it as the best chance or opportunity in a long time and I don't think anybody wants to lose it," Mr Baker said.

Mr Baker said that he had expected all the parties to come to Madrid and "stake out their maximalist positions in advance of negotiations", but that he had still been disappointed. "We cannot want peace more than the parties themselves," he said.

Yugoslav assault on Croatia intensifies

By Laura Silber in Belgrade and Andrew Hill in Brussels

THE Yugoslav army yesterday intensified its assault on Croatia, just two days before the European Community resumes its peace conference in The Hague to decide whether to impose sanctions on Serbia.

Dozens of people were killed and wounded in the land, sea, and air offensive. But it was unclear whether the army was following the instructions of Mr Slobodan Milosevic, president of Serbia, or acting of its own accord.

The Serbs meanwhile blamed Croats for launching an offensive. Belgrade television said that Croats had gone on the attack in predominantly Serb villages in central Croatia and that Serb villagers who could not escape were massacred or taken hostage.

A western diplomat said the federal army was desperate, fearing that Mr Milosevic would undermine its position by signing an EC peace document.

The army's renewed assault appeared timed to sabotage the EC conference. Federal tanks and troops, supported by fighter aircraft, were reported to have advanced to within 200 yards of the centre of Vukovar in eastern Croatia.

Dubrovnik, the Adriatic coastal resort, was shelled by naval gunboats and the army. Two hotels were hit in nearby Lapad, where thousands of evacuees from neighbouring villages levelled by fighting have sought refuge.

Mr Milosevic last month rejected the EC proposal to transform Yugoslavia into a loose association of independent republics. But Serbian officials last week indicated he

Continued on Page 14

Kuwait pays off most of $22bn Desert Storm debt

By Sara Webb and Roger Matthews in London

KUWAIT will have paid off its $22bn debt for Operation Desert Storm, the US-led military campaign to liberate the emirate from Iraqi occupation, by the end of December.

In an interview with the Financial Times, Mr Abdullah Al-Gabandi, managing director of the Kuwait Investment Authority (KIA), which oversees the country's foreign investments, said Kuwait has paid off most of the debt, and that only "negligible amounts" remain to be paid in November and December this year.

Kuwait raised the $22bn mainly from the disposal of liquid assets, including government bonds and money in its bank deposits.

News that Kuwait was close to paying its Gulf war debt by disposing of assets has caused concern in some European markets where the emirate has substantial holdings. Kuwait's investments include a 14.6 per cent stake in Daimler-Benz, 20 per cent of Metallgesellschaft,

Kuwait learns to borrow: full Al-Gabandi interview.....Page 15

25 per cent of Hoechst, and 9 per cent of BP.

Mr Al-Gabandi dismissed rumours that Kuwait was considering issuing a convertible bond into its Daimler-Benz shareholding. "Daimler Benz is one of our prime investments," he said. "We do not intend to unload our prime investments, we intend to keep them."

The precise cost of Desert Storm is uncertain, but some estimates put the total cost at about $100bn, with most of the contributions paid by Kuwait and Saudi Arabia.

Japan, Germany and the United Arab Emirates also agreed to make substantial contributions towards the costs incurred by allied forces during the Gulf war.

Although most of the proceeds are owed to the US, Britain estimated its costs arising from the liberation of Kuwait to be about 8 per cent of the total.

Kuwait was forced to draw on its Fund for Future Generations in order to pay the contributions towards the cost of the military operation.

The fund was set up in the 1970s and managed by the Kuwait Investment Office (KIO), overseen by the KIA. It received 10 per cent of the government's oil revenue each year for investment. According to Kuwaiti law, it was forbidden to make withdrawals from the fund, and the proceeds were reinvested.

Only because of the exceptional circumstances after Iraq's invasion of Kuwait was it necessary to draw money from the fund.

Mr Al-Gabandi said, however, that Kuwait was now looking at ways of replenishing the fund, possibly by paying in more than 10 per cent of oil revenues over the next few years.

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"I have a large programme in front of me which cannot be implemented if we don't move at a very, very fast pace," says Pakistani prime minister Nawaz Sharif of his economic reform plan. Page 30

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FT SURVEYS THIS WEEK

Portugal: The pace of life is steadily accelerating

(See separate section)

■ **TODAY:**

Portugal: Optimism is high although the economy and EC integration pose problems.

■ **WEDNESDAY:**

Venture Capital: Venture capitalists are devoting a lot of time to managing their portfolios as investee companies come under pressure from the recession.

■ **THURSDAY:**

Australia 91: The nation is in the throes of its greatest economic and social upheaval since 1901.

Czech and Slovak Federal Republic: Long-term prospects are encouraging but the economy is currently buffetted by gales.

INTERNATIONAL NEWS

Salinas shares his dream of a 'new nationalism'

By Damian Fraser in Mexico City

HALFWAY through his six-year term as Mexico's president, Mr Carlos Salinas de Gortari on Friday revealed the agenda for the next three years and laid claim to being much more than a bold economic reformer.

In an historic state-of-the-union address, Mr Salinas prepared the way for radical reform of the inefficient agricultural and educational sectors. He also proposed to end the 130-year-old split with the Roman Catholic Church, by implying his government would soon recognise the Church.

Mr Salinas' restoration of ties with the Church is undoubtedly an adroit move aimed at winning back support from Mexico's northern mi[illegible]ss, many of whom abandoned the [illegible] Institutional Revolutio[illegible]y (PRI), during the 1980s. The [illegible] of the Catholic institution [illegible] be a useful prop if the pre[illegible] goes ahead and takes on th[illegible]onal sectors of the PRI. A ra[illegible]ment with the Church will [illegible]hat moment by alienating s[illegible] the urban intelligentsia.

Significantly, the only standing ovation during the *informe* was when Mr Salinas said the people did not want the clergy to take part in politics, or accumulate material wealth.

The reform of the *ejido* (indigenous farm community) is no less risky, since the semi-communal farms have come to symbolise for many Mexicans the progress made since the 1910-20 revolution. The *ejido* has also been a vital prop to the PRI in elections – as was once remarked, it is organised to vote and not to produce.

Further, some three-quarters of the 20m Mexicans who do not have enough to eat live in the countryside. Tinkering with agrarian laws and forms of land tenure could lead to millions of *ejido* farmers flooding into the cities.

At any other point in Mexican history this century, Mr Salinas' proposed reforms would have been considered reactionary and a betrayal of Mexico's revolutionary past.

The president tried to turn such criticisms on their head by claiming that he was the real nationalist. "Modernisation is," he said, "as is evident from the fact, nationalistic."

This "new nationalism", unlike the old version, is outward-looking, economically competitive and admits a role for government in combating poverty – and not much else.

"New nationalism" does not yet mean a more democratic Mexico. The president made passing reference to electoral fraud but did not suggest how the executive could be made more accountable before the people.

Latin American business attracts foreign capital

By Stephen Fidler, Latin America Editor

LATIN AMERICA'S private sector became an importer of capital last year after witnessing capital outflows for most of the 1980s, according to a report published today.

Meanwhile, after importing capital through foreign borrowing over a decade, the region's public sector began to export capital, reducing its net borrowing from abroad.

The report, Economic and Social Progress in Latin America, published annually by the Inter-American Development Bank, says total capital inflows into the region increased from $4bn in 1989 to $14bn (£8.1bn) last year.

In contrast to the 1980s, when most capital inflows increased the region's debt, 1990 mainly saw inflows of equity capital. Thus "1990 may mark the beginning of a new era during which inflows of risk capital, attracted by investment opportunities in directly productive activities, are likely to predominate," the report says.

This development, though inherently favourable, "raises new challenges for policymakers as they seek to allow an orderly resumption of the capital inflows and to maintain a competitive real exchange rate."

Latin American foreign exchange reserves rose by $13bn, the largest annual increase in more than a decade. Of 25 countries, 19 saw an increase in reserves, although Mexico, Chile and Venezuela were responsible for 75 per cent of the increase.

Latin America, the report notes, now receives 80 per cent of all foreign direct investment made in developing countries. It cites forecasts suggesting such investment in the region could increase from the current $9bn to almost $22bn by the end of the century. The report also says it is "reasonable to anticipate" a substantial increase in portfolio investment, especially through mutual funds specialising in Latin American stock markets.

The region will still need to borrow abroad, although modestimates. The projected net borrowing gap reaches a peak of $9bn in 1993, after which it decli[illegible] to $4bn in 2000. This will [illegible] only a modest rise in the [illegible]ion's external debt – fro[illegible]$423bn at the end of last year, to an estimated $461bn at the end of 2000.

If there are further debt reduction accords, along the lines of the Brady Plan agreements already reached between banks and four Latin American governments, the total debt figure could be even lower.

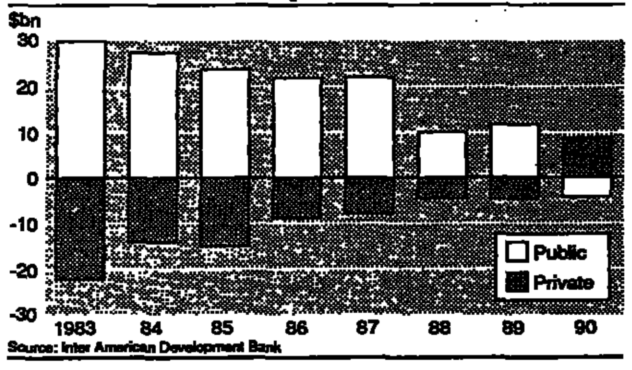
The report takes a more optimistic tone than its predecessors. Economic reform in many countries will require time and persistence to produce significant results, "but in an increasing number of countries the reforms are already beginning to make the difference between total stagnation and slow growth."

Per capita gross domestic product is at the same level as it was in 1977. Nevertheless, the report says: "These alarming averages hide the fact that in an increasing number of countries a recovery is indeed under way; clearly, greater optimism for this decade is justified."

Growth turned moderately negative last year, with GDP shrinking by 0.8 per cent after three years of modest increases. The external sectors continued to perform better than the domestic sectors in the region.

Economic and Social Progress in Latin America, 1991 Report. Distributed for the Inter-American Development Bank by The Johns Hopkins University Press, 701 West 40th Street, Baltimore, Maryland 21211.

Latin America: Capital flows



Source: Inter American Development Bank

Damage inspection: President George Bush and his wife Barbara look sadly round their summer home at Walkers Point in Kennebunkport, Maine, at the weekend. It was hit by a coastal storm.

Jackson to stay on poll sidelines

MR Jesse Jackson, the black populist politician, has finally decided not to run in next year's presidential election, ending months of speculation and opening the way for other Democratic contenders to woo his supporters, writes George Graham in Washington.

Mr Jackson came third in the Democratic primary elections in 1984 and second behind Mr Michael Dukakis in 1988, winning 14 states.

Mr Jackson may have decided that a third successive primary defeat could eliminate him for good from the presidential race and that he would do better to wait for 1996.

OAS renews attempt to reinstate ousted Haitian president

By Canute James

HAITIAN MPs are to meet a mission from the Organisation of American States in the Caribbean republic today to discuss the possible return of Mr Jean-Bertrand Aristide, the president who was overthrown and sent into exile by the army a month ago.

The OAS mission, led by Mr Augusto Ramirez Ocampo, a former Colombian foreign minister, has a mandate to discuss "the re-establishment and strengthening of constitutional democracy in Haiti".

An earlier attempt by the OAS to negotiate the president's reinstatement was aborted by a faction of Haiti's divided military, which said it would not allow Mr Aristide to return to the country.

It appears that Haitian politicians and business leaders, who had been against the populist president coming back, are now willing to discuss conditions for his return. Their change of heart, according to business leaders in the capital, Port-au-Prince, has been one result of an economic embargo imposed on the country.

It seems unlikely, however, that the OAS negotiations will sway factions in the army which oppose Mr Aristide's return.

General Raoul Cedras, head of the army and in control of the interim government installed after the coup, is apparently prepared to discuss conditions. But he appears to have little control over the renegade 14th company of the Haitian army, led by Major Eugene François.

Major François said last week that he and his men would not deal with any OAS mission aiming to reinstate Mr Aristide.

BARBADOS FACES STRIKE

TRADE unions in Barbados have called a general strike today and tomorrow to protest at economic austerity measures imposed by the government under a credit agreement with the International Monetary Fund, writes Canute James.

It will be the second public protest against the administration of Mr Erskine Sandiford, the prime minister. Unions and businessmen staged street protests 10 days ago.

Mr Sandiford is trying to reduce the fiscal deficit by cutting government spending. He says the alternative would be devaluation of the Barbadian dollar, which has been one of the most stable currencies in the region.

Mr Sandiford said at the weekend he hoped the general strike could be averted, but added he could not change the policy measures because of the IMF agreement. Under the accord, Barbados is to receive $58.1m (£33.7m) in IMF credits over 18 months.

SE Asia fears impact of global warming

GLOBAL warming could have a serious impact on agriculture in south-east Asia and the accompanying rise in sea level could cause extensive damage to the fishing industry, according to a report published today, writes John Hunt.

It was carried out by the governments of Indonesia, Malaysia, Thailand and Vietnam and a similar study was made by Brazil. Unep (United National Environment Programme) supported the project.

It is the first detailed assessment of the impact of global warming on specific regions. The results are based on the assumption that emissions of greenhouse gases such as carbon dioxide will continue to grow at current rates causing increases of 3 to 4 degrees centigrade by 2050.

The report concludes that in Malaysia yields of rice might decline by 12 to 22 per cent, with a significant effect on farm incomes and rural poverty. The east coast might become too wet for rubber cultivation and yields be reduced by 25 per cent.

In Indonesia water for crops might be reduced in the early part of the growing season. Soyabean, an important part of the diet for the Indonesian population, could suffer a 10 per cent loss.

But the most severe impact could be on maize which might be reduced by 25 to 65 per cent in some areas.

Potential Socio-Economic Effects of Climate Change, Environmental Change Unit of Oxford University, 1A Mansfield Rd., Oxford.

Chiluba inherits a Zambian model of disaster

Patti Waldmeir reports from Lusaka on a formidable economic challenge

IT was almost like a mantra. "We want change. We want change." In the run-up to last week's multi-party elections in Zambia, it was difficult to find a Zambian who did not use this phrase at least once.

Now change has come, in a peaceful and orderly manner which could prove a model to the rest of the continent.

Mr Kenneth Kaunda, who took office at independence in 1964, and the United National Independence Party (Unip), which has ruled unopposed since 1973, have been peacefully swept away.

Unip has been left with a rump of just over 20 seats in the new 150-seat parliament (final results are still coming in), and the new president, Mr Frederick Chiluba, can draw on large public support.

But political pluralism is no guaranteed cure for the Zambian malaise: an economy caught in a spiral of decline which will be hugely difficult to break. Economic infrastructure is in many cases beyond repair. Once-tarred roads are pock-marked with potholes Human endeavour has been blocked at every turn in the corrupt one-party culture.

Zambia's new president, a 48-year-old trade unionist, says it himself: he has inherited a "disaster". He has also inherited the responsibility for all the hard decisions so long avoided by Mr Kaunda. Within weeks, he must show that he is serious about shrinking the bloated civil service, eliminating large food price subsidies, taming inflation of over 100 per cent and restoring relations with the International Monetary Fund and World Bank. (Zambia's structural adjustment programme was suspended in September when it missed a $21m (£12.2m) repayment).

If he does, western donors say they will be ready with a large assistance package.

But to win their confidence, Mr Chiluba must take one politically risky step soon: he must raise the price of maize meal, the staple food, to ease the pressure of subsidies on the national budget. Mr Kaunda twice faced food riots when he made similar moves.

Indeed, reviving agriculture must be President Chiluba's priority. Like so many other African countries, Zambia has failed to exploit its enormous agricultural potential. Neighbouring Zimbabwe and Malawi earn over $400m a year from tobacco exports, while Zambia – with more land, better soil and rainfall – earns less than $20m from all its farm exports. Zambia cannot feed itself because a combination of low producer prices, poor transport, scarce inputs and late payments has reduced the output of maize.

The Movement for Multiparty Democracy (MMD), the new ruling party, also has to dismantle a system under which the state controlled most productive enterprises: the result was a more than 30 per cent fall in real per capita gross domestic product over the past 15 years.

The MMD supports more modern policies, including privatisation, and removing the political appointees who earned their management jobs through loyalty to Mr Kaunda rather than competence. The new rulers say they will trade with South Africa and welcome South African investment.

However, many Zambians worry that the new government – dominated by former Kaunda associates and ministers, tainted by their own past complicity with Unip – will also end up abusing power.

The new constitution, which circumscribes the powers of the president, and the new separation of state and party, will offer some protection. But the opposition has been emasculated by its poor showing in the polls, and Zambia could end up, in practice, with another one-party government.

Views on S Africa rights challenged by draft bill

By Philip Gawith in Johannesburg

A DRAFT Bill of Rights released at the weekend by the South African Law Commission pours cold water on cherished notions of politicians on both sides of the spectrum.

The draft bill, which forms part of a 700-page "Interim Report on Group and Human Rights" is likely to form the basis for a future South African Bill of Rights. The report builds on a working paper released by the commission in 1989, to which more than 400 responses were received.

Mr Justice Pierre Olivier, who led the commission's work, said the most difficult subject they considered was that of group rights, or the right of a people to self-determination. This is a core demand of right-wing groups.

The commission found that insofar as this was a demand for secession, or territorial partition, Afrikaners did not meet the test of international precedent whereby a people must be oppressed if they are to have a right to secession.

The commission therefore endorsed its original position that groups were best protected through the exercise of rights by individuals. The rights of groups would, however, still be protected in other ways, including the protection of collective values such as language, religion and culture.

On the controversial issue of affirmative action, the commission says the African National Congress's view of such action amounts to reverse discrimination and is thus unacceptable.

Thai transit wrangle near decision

THAILAND'S transport ministry has told the state railway to prepare to take over part of a $3.2bn mass transit project as the Hong Kong-based group contracted to build it might fail to resolve differences with the government, Reuter reports from Bangkok.

Hong Kong's Hopewell Holdings has threatened to scrap its multi-level rail and highway project if its plans to develop 950,000 sq metres of land in Bangkok do not get tax concessions. Thai officials are expected to hold talks with Hopewell executives this week before cabinet rules on the tax dispute. Hopewell was awarded the project in 1990 by the previous government, ousted in a military coup in February.

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INTERNATIONAL NEWS

MIDDLE EAST PEACE CONFERENCE

Palestinians win battle to present their message to the world

Tony Walker and Hugh Carnegy on the results of the opening skirmishes as the opposing parties get down to bilateral talks in Madrid

MR James Baker, the US Secretary of State, prodded the Palestinians to participate in the Madrid conference by reminding them they had most to gain from its success and most to lose from failure.

After the three-day opening and the first round of bilateral talks in Madrid the Palestinians have emerged as winners of the first skirmishes in what promises to be a protracted affair.

The Madrid forum provided Palestinian representatives with a unique opportunity to carry their plea for self-determination to the world. They were able to lay before the international community what was arguably the most coherent statement ever of their hopes and aspirations.

Perhaps more importantly they were given a seat at the *negotiating table, not as* supplicants but as more or less equal partners in a process that has already moved further than any previous attempt to resolve the Israel-Palestinian dispute.

Mr Saeb Erakat, one of the more militant members of the Palestinian delegation, summed up the mood when he said: "I needed the world to see me for once. Isn't the big Israeli lie about to be over that we didn't exist?"

While Palestinian expectations may have been inflated by the heady atmosphere in Madrid, there is no doubt that they have succeeded beyond their dreams in presenting their message to the world.

Their opening statement, delivered by Dr Haidar Abdul-Shafi, a dignified physician from the Gaza Strip, was devoid of the rancour that might have been expected. It was also made in the presence of an Israeli leadership which had never before been obliged to listen to the Palestinian case put quite so eloquently at such an international forum.

The Palestinian statement helped set the tone for an amicable first meeting with an Israeli delegation. Mr Zalman Shoval, Israel's ambassador to Washington and a member of the delegation, said the talks had been *tachles*, a Yiddish word which means that the two sides had got down to business.

While Israel was somewhat taken aback in the early stages of the Madrid conference by a more effective Palestinian performance than expected, it managed in the past day or so to regain some of the lost ground.

Face to face: Israeli officials (left) and a joint Jordanian-Palestinian delegation open the first direct Middle East peace talks in Madrid yesterday. The respective delegations were led by Israeli cabinet secretary Eliakin Rubenstein (fourth from left) and Dr Haidar Abdul-Shafi (third from right)

Israel's demand that face-to-face negotiations be held alternately in Israel and in neighbouring Arab states prompted a delay in meetings between Israel and delegations representing Syria and its client, Lebanon.

Syria rejected the Israeli proposals and said it would not begin the crucial bilateral negotiations that are the centrepiece of US peace efforts, unless the parties got down to substantive negotiations in Madrid.

While Israel's demand that reciprocal talks be held in Arab and Israeli locations was tactical, since it knew full well that Syria, for one, would not agree to such an arrangement, the manoeuvre served its purpose by making the Arab side appear obstructive.

If nothing else, the Madrid talks have underscored the depths of bitterness and mistrust that prevail between Syria and Israel.

The Syrian-Israeli friction may well prove to be a big stumbling block in US efforts to advance the process.

On the Arab side Syria remains the key to progress. It is extremely doubtful if negotiations between Israel and the Jordanian-Palestinian team can advance if the Israel-Syria talks are blocked. Lebanon will do what it is told by Damascus.

Syria itself is in danger of appearing the most recalcitrant of the participants, judging by the mulish behaviour thus far of Mr Farouq al-Sharaa, the Syrian foreign minister.

The question is to what degree Mr al-Sharaa's performances are guided by domestic concerns, and how much by genuine feelings of antipathy towards the Israelis.

Previous attempts to advance the peace process have got hung up on procedural arguments.

If difficulties encountered in convening bilateral talks in Madrid are any indication, differences over fiddly questions will again prove a drag on peace efforts.

Intense diplomatic activity over the weekend by US and Arab officials, not to mention the direct intervention of Arab leaders, to get the participants to sit down to direct talks, shows how difficult the road ahead will be.

Mr Baker, the architect of this latest and most determined bid to resolve the vexed Arab-Israel dispute, must have realised by now that US diplomatic resources will be fully stretched if the process is to move forward.

He will almost certainly be required to devote time and energy to help resolve differences that are certain to materialise at every stage.

Arafat reaffirms PLO presence at Madrid talks

MR Yassir Arafat, chairman of the Palestine Liberation Organisation (PLO), reaffirmed yesterday that Palestinian negotiators at the peace conference in Madrid represent his organisation, AP reports from Tunis.

"The Palestinian delegation to this conference has demonstrated that it represents the PLO," Mr Arafat said in a speech opening a three-day conference on Palestinian human rights.

"This constitutes evidence that Palestinian headquarters (of the PLO, based in Tunis) is the sole legitimate representative of the Palestinian people," he added.

Israel said before the conference opened last Wednesday that it would not negotiate with the PLO, which it considers a terrorist organisation.

But although the Palestinians on the negotiating team are not PLO members, it has become increasingly evident that they are receiving instructions from the organisation.

Mr Arafat was answering criticism that the non-direct participation in the talks had weakened the PLO. Extremist Palestinian factions have threatened to quit the organisation, or to sabotage the talks.

"If we've accepted to go to the Madrid conference, it's not because of weakness on our part, but with the goal of showing everyone that the problem is Zionist intransigence," Mr Arafat said.

The PLO chairman attacked Mr Yitzhak Shamir, the Israeli prime minister, for "flouting international legality" in refusing to yield the occupied West Bank and Gaza Strip, captured in the 1967 war.

The PLO hopes to create an independent state in the territories with East Jerusalem as its capital. Israel claims all of Jerusalem as its capital, and refuses to envisage a Palestinian state.

Mr Arafat displayed a map that he claimed charted the boundaries of a "greater Israel" allegedly desired by Mr Shamir.

It included Jordan, Lebanon, a third of Syria, most of Iraq and half of Sinai.

The International Conference for the Defence of Palestinian Human Rights is charged with examining the situation of Palestinians in the occupied territories and elsewhere.

Mr Arafat claimed that the financial losses of Palestinians expelled from Kuwait due to widespread Palestinian support for Iraq during the Gulf War had amounted to $12bn.

More than 2,500 Palestinians have gone missing since the war ended, and 12,000 Palestinians and 2,000 other Arabs remain in Kuwaiti jails, Mr Arafat claimed.

Mubarak and Peres optimistic

By Max Rodenbeck in Cairo

EGYPTIAN President Hosni Mubarak at the weekend took an upbeat view of the Madrid peace talks, describing the differences between Syria and Israel as predictable and adding that he expected the substantive bilateral meetings to go ahead, possibly in the US.

Following a telephone converastion with Syrian President Hafez al-Assad, the Egyptian leader said he did not expect any Arab to boycott the bilateral stage. "If that happens, the question arises: what is the alternative?" Mr Mubarak said.

In interviews carried by the Cairo press, Israeli opposition leaders cited important breakthroughs made in Madrid. "Israel has recognised the Palestinian negotiators, a matter which has never happened before," said Mr Shimon Peres, the Labour Party leader, "and the Arab world is now close to recognising Israel."

Shelling of Lebanon dies down

By Judy Maltz in Jerusalem

ISRAEL'S heavy bombardment of guerrilla targets in South Lebanon let up yesterday, ahead of the direct bilateral negotiations between the two countries in Madrid.

Mr Moshe Arens, the Israeli defence minister, refused to say whether the easing up of shelling was in response to US pressure, as Mr Fares Bouez, Lebanon's foreign minister, had asserted.

"I don't want to report to you whether there were or were not appeals," Mr Arens told Israel Radio. "I said our actions are based on our concern for security. There is no compromising on this."

The shelling of Hizbollah forces in south Lebanon began on the eve of the peace conference, as the Iranian-backed guerrillas vowed to step up attacks on Israel to sabotage peace efforts. Six Israeli soldiers were killed last month in attacks launched from Hizbollah strongholds there.

Iraqi blockade hits Kurds

IRAQI President Saddam Hussein, in denying Kurds fuel and food, is, according to western relief workers, endangering efforts to stockpile supplies and shelters before winter grips the country's northern *mountains*, Reuter reports from Zakho, northern Iraq.

"This looks like the big squeeze to me," said Mr Scott Portman, head of the US International Rescue Committee (IRC) relief effort in northern Iraq. "The issue is who will control Kurdistan."

Relief workers believe the clampdown is a ploy by Mr Saddam to prod the Kurds into accepting an autonomy deal. Kurdish rebel leaders are bitterly divided over the terms.

"The government is gradually shutting off all the taps for food, fuel and building supplies in the mountains," said Mr Portman. "It seems to be a deliberate attempt to sabotage the relief community's winter shelter programme for Kurds."

INTERNATIONAL NEWS

Russian republic 'must take over responsibility for the Soviet debt'

By John Lloyd in Moscow

THE MAN who is drafting the laws and decrees which will transform the Russian economy, and with it those of the other Soviet republics, said yesterday that "Russia must have its own monetary and fiscal policy, and its own bank. That is the reality today".

Mr Egor Gaidar is head of the Institute of Economic Policy and leader of a team of economists finalising the economic framework for Mr Boris Yeltsin, the president of Russia.

He is likely to be the senior economic minister in that government, though he is in competition with Mr Grigory Yavlinsky, the economic co-ordinator of the Inter-Republican Economic Committee - the Soviet government - whom Mr Yeltsin would also like to have in or close to his government.

Mr Yeltsin still listens to Mr Yavlinsky's impassioned argument for Russia to co-ordinate economic reform at union level but he is moving towards the uncompromising ideas of Mr Gaidar and his associates.

Mr Gaidar believes the union is finished: "We must now move to treating all other republics as sovereign states. Of course we must have strong links, and there will be many bilateral agreements. But we cannot continue as we did towards eastern Europe, as a 'Big Brother', supplying them with cheap oil and gas and then finding we have a deficit with them of $15bn because of the distorted price structure".

Mr Gaidar believes that the Russian Bank should be transformed into a central bank with responsibility for issuing a Russian currency. But he also believes that Russia must assume responsibility for the Soviet debt, now well over $60bn (£34.8bn), despite the agreement signed a week ago between the Group of Seven industrial countries and the 12 Soviet republics under which they would jointly shoulder the burden.

Boris Yeltsin is moving towards the uncompromising ideas of Mr Gaidar and his associates

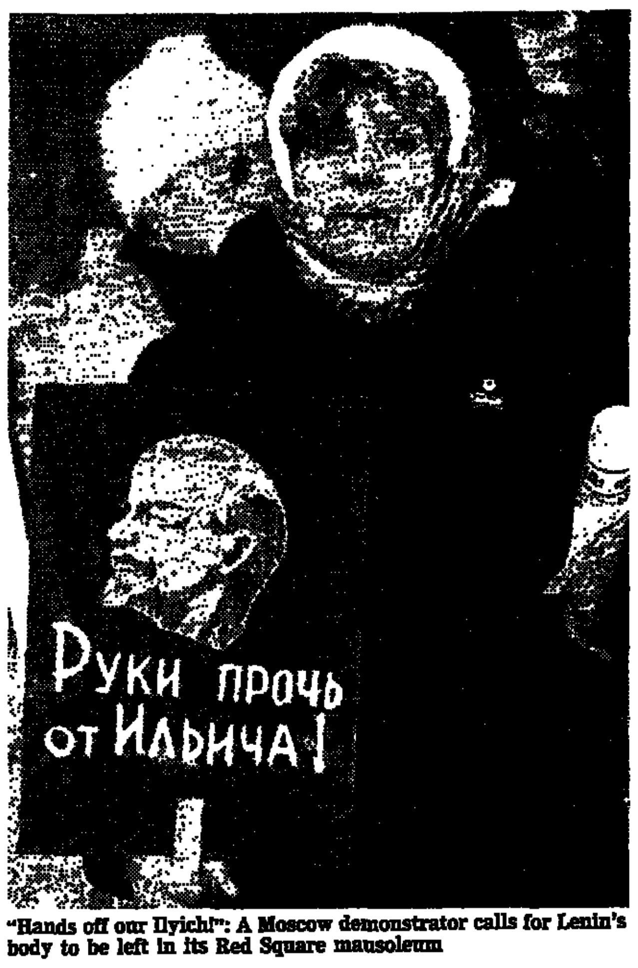
"Look: Russia alone has a surplus on external trade last year of $10bn: the rest of the republics have a deficit of $6bn. If you sign an agreement, sooner or later you must have the cash to pay back the debt. But they have no hard currency. I do not think we should move immediately to divide up the gold and the other assets, but I think we (Russia) should be very much prepared to take responsibility for the debt".

From this, it follows that Mr Gaidar believes that convertibility of the rouble will happen only at the Russian level. As to the timing, he says: "It very much depends on the attitude of the Western financial community. With Russia's trade balance, it could collect sufficient resources to give a very low rate of exchange for the rouble, though the effect on the other republics will be very severe. I think we should go for as high a rate of exchange as possible, not the terrible undervalued rate of now."

He says humanitarian aid must also be organised at the level of republics. "There is no problem with the Soviet authorities playing a co-ordinating and consultative role: but if you want to get anything done, you must deal with the republics. How can you deal with an entity which does not have a budget?"

He predicts that the country will have sufficient reserves of energy to survive the winter without substantial power cuts, largely because of the drop in industrial production. But the food situation is "very serious, especially in the Urals, the Northern Volga, Eastern Siberia and the Caucasus. Western help is very seriously needed".

That help, he believes, must be tied to economic reform, in particular to price rises: and it must be delivered directly by Western transport to those most in need.



"Hands off our Ilyich!": A Moscow demonstrator calls for Lenin's body to be left in its Red Square mausoleum

Ukraine wins troops victory

THE Ukraine yesterday won a victory against Moscow, to take control over Soviet armed forces stationed on its territory, Chrystia Freeland reports from Kiev. Gen Konstantin Morozov, Ukrainian defence minister, said Moscow had agreed to co-operate on creation of a separate Ukrainian army, and a treaty on dividing the armed forces would be negotiated. The Ukraine had no wish to take over nuclear missiles on its territory, but wanted a veto over their use. Mr Leonid Kravchuk, Ukrainian leader, said the Ukraine might sign the economic union treaty today or tomorrow.

Havel seeks to head off crisis over autonomy

By Ariane Genillard in Prague

TOP Czechoslovak officials met President Vaclav Havel yesterday in an attempt to defuse the crisis over the fate of the 73-year-old federation.

Leaders of the Czech, Slovak and federal governments and parliaments have met 11 times this year to discuss the future of the federation and which powers will remain federal or be devolved to republican level. Their failure to reach agreement is threatening the country's political stability.

Slovak politicians are *demanding more autonomy for* Slovakia, which accounts for a third of the country's population, although most Slovak citizens say they want to keep a common state.

President Havel yesterday reiterated his call for a referendum to decide the federation issue, but his deputies have been unable to agree the wording of questions. In addition, most Slovak politicians oppose such a poll.

● Authorities are determined *the ambitious privatisation* scheme, scheduled to start next January, will run on time, despite calls for its delay from the minister of privatisation, officials at the federal Finance Ministry said.

Last week Mr Tomas Jezek, who heads the under-staffed Ministry of Privatisation in the Czech republic, had called for a three-month delay on the grounds that existing deadlines could not be met.

Swiss protest vote 'may hit plans for EC membership'

By David Marsh, Europe Editor

THE Swiss government is voicing fears that the rising *tide of protest voting through*out the country could upset its plans to join the EC in the mid-1990s.

Mr Klaus Jacobi, deputy foreign minister, said in London that opposition to unpopular economic aspects of Swiss-EC rapprochement could block membership when it was eventually put to a referendum.

In view of the swing to radical parties in last month's general election, and the recent referendum successes for groups opposed to mainstream Swiss policies, Mr Jacobi said he was worried that the country might be "finally coming to a point where we can no longer be governed."

Under Switzerland's system of direct democracy, last month's agreement linking the EC and the European Free Trade Association (Efta), of which Switzerland is a member, will also have to be put to a *national* referendum, probably at the end of next year.

The deal to set up a 19-nation European Economic Area, due to start on January 1 1993, will have to be accepted by a majority of the 26 cantons as well as most voters.

The Swiss government declared last month it was willing to enter the EEA only as a prelude to full membership of the EC.

Switzerland would not be content simply with EEA participation because it would take on existing EC legislation and would not be "full partners," Mr Jacobi said.

Full membership of the Community would have to be approved by referendum – which will also be controversial.

Mr Jacobi underlined the fact that introduction of value added tax – much opposed by parts of Switzerland's small business community – had already been turned down three times by referendum.

This would, however, have to be introduced as part of the EC-Efta agreement. The trade accord also means that Switzerland – which has no anti-trust laws – will have to introduce EC cartel legislation.

Mr Jacobi also outlined possible difficulties in combining Switzerland's status of neutrality with EC membership.

The country recognised that, in a post Cold War world, the definition of neutrality was changing. It wanted to join the EC to take part "in the creation of the new architecture of Europe," he said.

However, if the EC decided to adopt a defence role, he suggested that Switzerland might have to "opt out" rather than take part in collaborative defence arrangements which did not fit in with its traditional postures.

Dutch fear their star guest could spoil Europe's energy party

The Soviet situation has changed so radically the whole charter project risks being bogged down, Andrew Hill and John Lloyd report

THE EUROPEAN MARKET

YOU arrange a party in honour of a friend, and you invite 34 other people. Two hours before the party is *due to* start, the star guest rings up: he might not be able to come at all; on the other hand, he might bring a dozen rowdy friends. Either way, you won't know until he arrives.

The Dutch are hosting just such a party in six weeks' time, when they hope to get 35 countries together in The Hague to sign the European energy charter.

Brainchild of Mr Ruud Lubbers, the Dutch prime minister, the charter aims to help the Soviet Union exploit its abundant natural resources, encouraging foreign investment and, in the process, the regeneration of Soviet, east and central European economies.

But between the first plenary session of the conference in July and the second a fortnight ago, the Soviet situation has changed so radically that the whole project risks becoming bogged down, just at the time when it is most needed.

Advocates of the charter are understandably worried. As Mr Antonio Cardoso e Cunha, the EC *energy commissioner*, put it last week: "There is no energy charter without the very deep participation of the USSR".

The problem is that there no longer exists a centre for decision making for the Soviet Union's energy complex. Responsibility for energy resources has been largely relinquished by the central ministries, and not yet grasped by the republican ministries or industrial and supply associations designed to be their successors. In the inter-republican economic agreement, which was signed last month between eight of the remaining 12 Soviet republics, energy was mentioned only in the context of power supply.

Internal disruption of the energy network is already happening. Coal from Ukraine, which feeds the power stations of Moscow and St Petersburg, is no longer being delivered in sufficient quantities to ensure uninterrupted production through the winter.

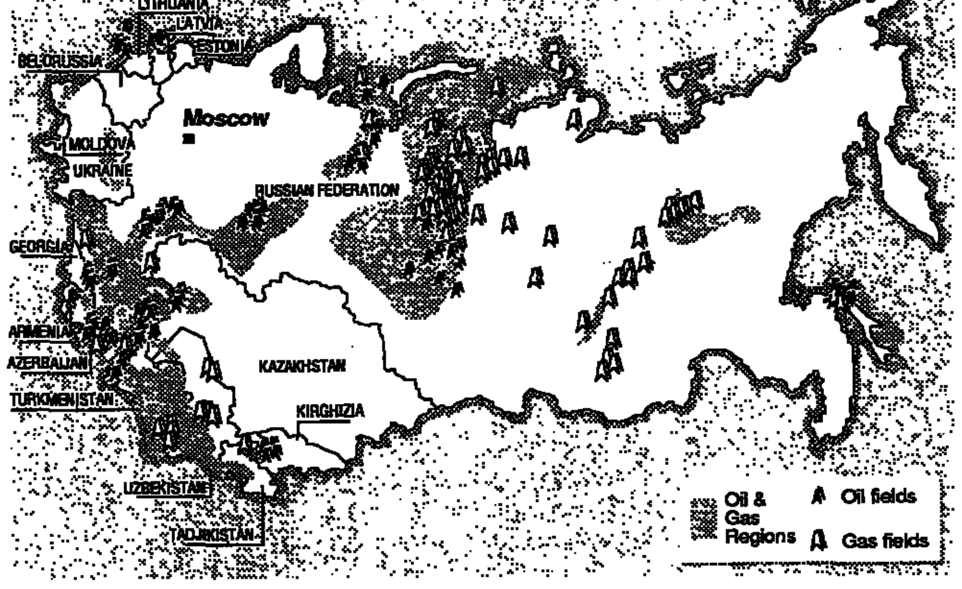
Oil supplies are far down, although gas supplies have held up. Each of the republics is struggling to create ministries to bring energy reserves and supplies under their own control. But the largest, Russia, has not yet done so and power is slipping largely to local production associations.

The newly-independent Baltic states have already been asked informally if they want to take part in the European energy charter conference.

Ukraine has apparently said it will come to the signing ceremony in The Hague, with or without an invitation. For the most part, however, the organisers of the energy charter can only watch the deteriorating situation helplessly.

In fact, the confusion is unlikely to hold up the signing of the charter on December 17. But the *text is only a political* declaration. The vital document is the "basic agreement".

This will be a legally-binding treaty, setting up the institutional framework for the charter, preparing the ground for various specific protocols in hydrocarbon use, nuclear safety, energy efficiency and the environment, and laying out a procedure for resolving disputes.



The disintegration of the Soviet Union makes it unlikely that this treaty will be signed before the middle of next year.

"It's *not* bad will [on the part of the Soviet republics], but you have to accept that people can't be authoritative on behalf of a nation which doesn't have a constitution," says one official from the Brussels-based conference secretariat.

Sovereignty was always likely to be a problem for the charter. Even in the supposedly developed EC energy market, Mr Cardoso e Cunha has had an uphill struggle persuading the 12 governments and industry to allow the cross-border transit of gas and electricity.

Conference officials say the Soviet republics are enthusiastic about the charter, but the same officials are afraid that civil unrest could cause republics such as Ukraine and Belorussia to block the main corridors between substantial Soviet energy reserves and customers west of the border.

"Just look at your map," *says one.* "I'm optimistic as long as things are going well between the republics, but when I smell civil war and disputes, then I'm pessimistic, because they would obviously spill over into this agreement."

Meanwhile, amid the chaos, investors are making their own plans to take advantage of the Soviet Union's untapped reserves. "I would say that the oil industry would be doing these things with or without a charter," argues one western oil industry expert.

In republics where oil and gas are produced, such as Kazakhstan and Azerbaijan, the governments are granting licences to foreign companies.

The Soviet Union's Ministry of Oil and Gas no longer has any power to dispose of licences, or even to set guidelines: the Inter-republican Economic Committee, now being created to supervise the economic agreement, is unlikely to acquire any of its powers, or those of any other ministry.

It looks likely that at least 35 countries will sign the European energy charter next month, but if chaos persists in *the Soviet Union, its principal* aim – formal east-west co-ordination of energy policy – will only be achieved piecemeal, if at all.

INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1985 = 100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the composite leading indicator are end-period values.

	UNITED STATES					JAPAN				
	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1984	95.3	98.3	7.4	96.2	98.5	96.9	96.4	2.7	100.5	93.9
1985	100.0	100.0	7.1	100.0	102.9	100.0	100.0	2.6	100.0	96.6
1986	105.7	101.0	6.9	98.0	106.1	106.6	99.7	2.8	94.3	105.3
1987	108.3	105.9	6.1	105.2	110.0	113.8	103.1	2.8	108.3	115.3
1988	112.2	111.6	5.4	106.3	114.5	122.8	112.9	2.5	135.9	122.8
1989	114.7	114.5	5.2	99.6	113.5	132.6	119.9	2.3	147.0	126.4
1990	114.2	115.7	5.4	84.5	109.3	142.0	125.3	2.1	149.7	124.3
4th qtr.1990	−2.1	0.3	5.8	72.7	109.3	3.2	6.9	2.1	153.2	124.3
1st qtr.1991	−3.8	−2.3	6.4	64.5	110.8	3.0	6.0	2.0	148.0	124.6
2nd qtr.1991	−1.6	−2.8	6.7	63.0	112.4	2.6	3.1	2.1	146.5	124.2
3rd qtr.1991		−2.2					1.1			
October 1990	−1.2	2.0	5.6	76.4	110.3	2.9	8.0	2.2	157.8	124.5
November	−1.5	0.2	5.8	70.7	109.5	4.0	6.6	2.1	148.2	124.1
December	−3.5	−1.3	6.0	71.2	109.3	3.2	6.1	2.1	153.7	124.3
January 1991	−5.9	−0.8	6.1	66.3	109.5	3.7	7.7	2.0	153.3	124.3
February	−3.2	−2.6	6.4	64.3	110.0	2.9	6.9	2.0	148.5	124.5
March	−2.1	−3.6	6.8	63.1	110.8	2.4	3.5	2.1	142.6	124.6
April	−2.1	−3.0	6.5	62.7	111.1	2.5	3.8	2.1	152.6	124.4
May	−1.1	−2.7	6.6	62.5	111.9	1.8	4.3	2.1	146.5	124.1
June	−1.7	−2.5	6.9	63.7	112.4	3.4	1.1	2.1	140.5	124.2
July	−1.2	−2.2	6.7	61.1	112.7		2.5	2.2	150.3	124.4
August	−1.8	−2.3	6.7	60.6	113.1		0.1	2.2	138.0	124.4
September		−2.3					0.7			

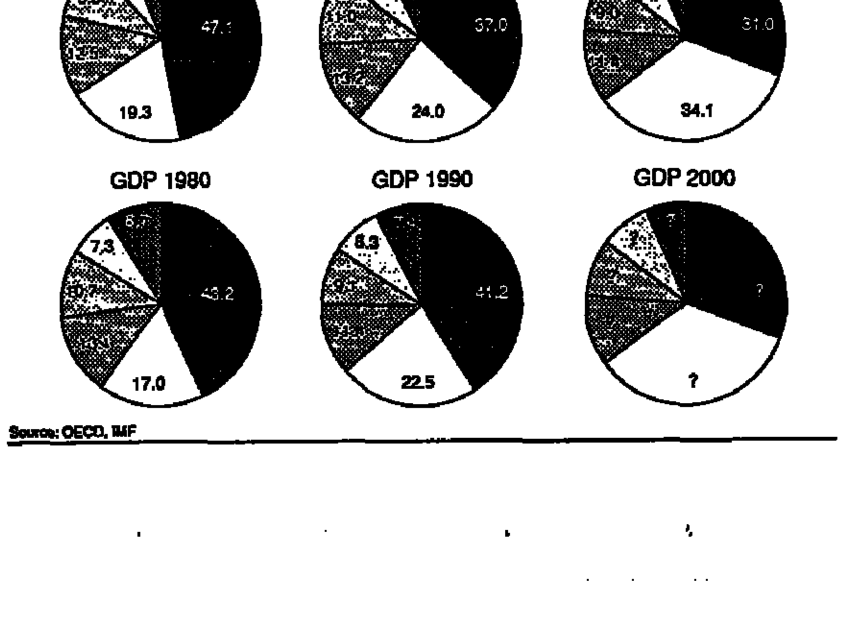
	GERMANY					FRANCE				
	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1984	99.2	96.0	7.1	83.4	99.9	99.3	99.3	9.7	99.3	98.3
1985	100.0	100.0	7.2	100.0	104.2	100.0	100.0	10.2	100.0	101.6
1986	103.6	102.2	6.4	136.4	103.9	102.4	101.1	10.4	107.4	108.0
1987	107.4	102.5	6.2	149.4	105.0	104.5	103.1	10.5	118.0	107.4
1988	110.6	106.2	6.2	164.7	111.3	107.9	107.3	10.0	134.6	112.6
1989	113.7	111.4	5.6	218.9	114.2	109.6	111.2	9.4	159.3	112.1
1990	123.0	117.2	5.1	260.6	114.9	110.1	112.5	8.9	163.2	104.4
4th qtr.1990	8.7	5.1	4.7	258.1	114.9	0.6	−0.3	8.9	146.9	104.4
1st qtr.1991	11.7	4.8	4.5	269.7	112.8	−0.5	0.5	9.0	130.3	104.6
2nd qtr.1991	9.7	5.4	4.5	282.1	113.0	−1.4	0.4	9.3	127.5	106.2
3rd qtr.1991				282.1						
October 1990	8.9	6.2	4.8	254.8	115.4	4.2	1.4	8.9	154.5	104.9
November	9.9	5.5	4.7	257.3	115.3	−2.8	−0.6	8.9	148.5	104.5
December	7.5	3.8	4.6	262.2	114.9	0.6	−1.6	8.9	140.0	104.4
January 1991	14.2	5.9	4.5	268.0	113.8	−0.3	1.3	8.9	134.4	104.3
February	9.8	4.0	4.5	267.2	113.5	−1.6	1.9	9.0	127.5	104.3
March	11.2	4.5	4.5	273.8	112.8	0.5	−1.8	9.0	129.3	104.6
April	8.9	8.7	4.5	278.8	112.5	0.4	0.4	9.1	126.5	105.1
May	7.1	3.0	4.5	281.3	112.8	−2.0	0.4	9.3	126.9	105.7
June	13.3	6.6	4.5	285.4	113.0	−2.5	0.4	9.4	129.3	106.2
July	2.8	3.6	4.6	284.6	112.7	3.2	−1.0	9.5	132.2	106.3
August	−2.2	2.0	4.6	286.2	112.5	−1.0	−1.0	9.5	131.4	106.4
September				276.3						

	ITALY				UNITED KINGDOM				
	Retail sales volume	Industrial production	Unemployment rate	Composite leading indicator	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1984	95.8	98.6	9.3	101.2	95.6	94.8	11.7	93.7	100.7
1985	100.0	100.0	9.6	103.8	100.0	100.0	11.2	100.0	102.4
1986	108.0	104.1	10.4	110.6	105.2	102.4	11.2	116.1	105.2
1987	113.8	106.8	10.9	112.8	110.7	105.7	10.3	141.2	109.4
1988	110.2	114.2	10.9	117.7	117.7	109.5	8.5	144.3	108.3
1989	117.9	118.7	10.9	116.0	119.9	109.9	7.1	124.2	106.0
1990	114.3	117.9	9.8	112.3	120.4	109.2	6.9	97.9	102.5
4th qtr.1990	−2.6	−4.2	9.8	112.3	−1.2	−3.4	7.3	76.3	102.5
1st qtr.1991	1.3	−1.8	10.0	113.4	−0.7	−3.0	8.2	82.9	102.9
2nd qtr.1991		−2.2	10.0	113.6	−1.9	−5.9	9.2	64.5	103.5
3rd qtr.1991					−0.4			60.9	106.6
October 1990	−4.3	−3.0	n.a.	114.4	−0.9	−2.3	7.0	80.9	103.5
November	−2.1	−4.1	n.a.	113.7	−1.4	−3.6	7.3	75.1	103.1
December	−1.6	−5.5	n.a.	112.3	−1.2	−4.3	7.6	73.0	102.5
January 1991	3.4	0.0	n.a.	112.2	−1.5	−3.7	7.8	82.3	102.0
February	−5.9	−2.5	n.a.	112.3	−2.6	−2.1	8.1	84.1	102.3
March	6.4	−2.9	n.a.	113.4	1.9	−3.3	8.6	82.2	102.9
April	−8.3	−4.1	n.a.	113.9	−2.1	−6.5	8.9	71.6	103.4
May	−7.0	−2.8	n.a.	113.6	−3.2	−6.0	9.2	63.3	103.5
June		0.3	n.a.	113.6	−0.4	−5.2	9.4	58.8	103.5
July		−1.9	n.a.	113.5	−0.5	−2.2	9.7	59.5	104.0
August		−7.0	n.a.	113.6	−0.1	−2.4	10.0	62.2	105.0
September			n.a.		−0.7			60.9	106.6

All series seasonally adjusted. Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA. **Retail sales volume:** data from national government sources except Japan and Italy (value series deflated by OECD using CPI). Refers to total retail sales except France and Italy (major outlets only) and Japan (department stores only). **Industrial production:** data from national government sources. Includes mining, manufacturing, gas, electricity and water supply industries except Japan (mining and manufacturing only) and UK (also includes construction industries). **Unemployment rate:** OECD standardised rate which adjusts as far as possible for the different definitions of unemployment used in official sources. **Vacancy rate indicator:** relevant vacancy measure divided by total civilian employment, expressed in index form. Derived from OECD series. US – help wanted advertising, Japan – new vacancies, Germany and France – all jobs vacant, Italy – no data available. UK – unfilled vacancies. **Composite leading indicator:** OECD data. Each is a combination of series, cyclical fluctuations in which usually precede cyclical fluctuations in general economic activity.

National shares in total G6 output and investment

Country shares in total gross domestic product and gross fixed capital formation at current exchange rates



Source: OECD, IMF

Rise and fall of the world's economic superpowers

IN THE power game of international politics the US *may* have no peers, but as the world's number one economic superpower, its days could be numbered. The US is still the largest industrial economy, but the Japanese are catching up fast. Japan looks set to push the US into *second place* as a *share of world output* early in the next century.

The rise of the Japanese economy is not a new threat to the collective US ego. Japan's share in the total gross domestic product of the world's six largest industrial economies has doubled over the past two decades. Measured at *current* exchange rates, Japan's share has risen from 11.6 per cent in 1970 to 22.5 cent in 1990. It has grown almost entirely at the expense of the US, whose share has fallen from 56.9 per cent to 41.2 per cent over the same period.

Nevertheless, if current *trends* continue the US's pre-eminence is assured for at least another 35 years. Between 1960 and 1990 the US average annual real growth rate of GDP was 2.7 per cent compared to 4.5 per cent for Japan. If these average growth rates persist, then *the Japanese economy will not catch the* US until 2025 at the earliest.

This projection assumes both that the current relative sizes of the two economies are measured accurately and that their relative underlying growth rates in the 1980s will remain unchanged in the *1990s and beyond.* The OECD calculates that comparisons of relative GDP, using current exchange rates, understate the size of the US economy. It estimates that the prices of similar goods at current exchange rates are higher in Japan.

Using purchasing power parity (PPP) exchange rates which adjust for these price differences, the US share in total 1990 GDP rises to 48.5 per cent. Japan's share is 19.2 per cent, up from 14.3 per cent in 1970. Using the same trend growth rates, it would take until 2045 for Japan to catch the US in PPP terms. But Japan could well grow faster than the US over the next decade than these historic growth rates imply.

The main reason for Japan's superior growth record in recent decades has been the much higher proportion of its GDP that has been invested rather than *consumed.* In 1960, for example, Japan invested 32 per cent of its total GDP compared to just 19 per cent in the US. As a result, Japan's share of these six countries' total gross fixed capital formation was 22.6 per cent compared to its GDP share of 17 per cent.

Higher Japanese investment in new machines and equipment laid the foundation for its higher growth rate in the 1980s. The US had a faster rate of population growth which should have raised its relative growth rate, while Japan has probably had access to better technology and *management.* But the *main difference* has been the amount of GDP that each country has invested.

In fact, there is a good correlation between each country's share in total investment and its share in total GDP a decade later, as the chart shows. Japan's share of total investment in both 1970 and 1980 was matched by a similar share of total GDP a decade later. For the US, the reverse was true in both decades. Its share of total investment in 1970 was 10 percentage points lower than its share in GDP in that year. By 1980 its share in total GDP had fallen by 14 percentage points.

The UK has also suffered a similar fate to the US in the 1980s. In 1980, the UK share in total GDP was 1.4 percentage points higher than that *of* Italy but its share in total investment was 1 percentage point *lower.* By 1990 Italy *had* a larger share of investment and GDP.

This correlation between shares in investment and future GDP does not bode well for the US. In 1990, Japan's investment/GDP ratio remained unchanged from a decade earlier. But *the US investment ratio* has fallen to 16.5 per cent. Consequently, Japan now has the largest share in the total investment of these six countries, pushing the US into second place. The correlation suggests that unless the US raises its investment rate, its growth rate will fall relative to Japan's *over the next decade. So* Japan will be catching up with the US at a faster rate than ever. The world may have a new, number one economic superpower sooner rather than later.

Edward Balls

UK NEWS

Lilley under pressure to support manufacturers

By Michael Cassell, Business Correspondent

MR PETER LILLEY, the trade and industry secretary, will today come under renewed pressure from the Confederation of British Industry to back calls for a more supportive framework for the country's manufacturing sector.

Mr Lilley, whose department has faced continuing criticism from industrialists for being ineffective, is to address the CBI annual conference in Bournemouth, south England. He will be expected to respond to CBI proposals that the Department of Trade and Industry should down-grade its regulatory role and concentrate on encouraging and supporting Britain's industrial effort.

Mr John Banham, director-general of the CBI, yesterday emphasised that business did not expect hand-outs or subsidies for incompetent or inefficient companies. But it wanted a more powerful DTI which could play a bigger role in helping Britain's international manufacturing competitiveness.

The CBI also wants the DTI to take over responsibility from the Treasury for the National Economic Development Office.

Mr Banham emphasised that the CBI was not criticising Mr Lilley. But he said there was "something wrong with the machinery of government which means mistakes have been made. We do not want to see the same mistakes twice."

He cited "own goals" such as excessive rises in energy costs and the uniform business rate.

The government, he said, had to show a "more single-minded determination" to curb inflation and ensure British business could compete on equal terms with other European countries.

The CBI proposals have not yet been discussed with Mr Lilley but Mr Banham claimed the prime minister had already indicated he was supportive.

Mr Lilley, speaking on BBC radio yesterday, acknowledged that there had been "periods of ineffectiveness" at the DTI. But he said most of the criticisms were "fairly old" and did not relate to his period at the department.

Building societies in merger talks

By David Barchard

A RESCUE merger for the Town & Country Building Society, the UK's 15th largest, appeared certain last night as a team of accountants from the *Building Societies Commission* began an investigation into loan losses at the society.

Front runners to take over Town and Country were the Halifax, Britain's largest, and the Woolwich, the fourth-largest society.

Accountants were sent into Town & Country last week after the commission, the industry watchdog, decided that the society's situation was more urgent than it had previously thought.

Town & Country, which has 78 branches and assets of £2.2bn, *is expected to lose* between £7m and £10m in the current financial year after making bad debt provisions of around £40m. Last year the society made sharply reduced pre-tax profits of £19m, after bad debt provisions of £11m.

Though smaller building societies are periodically bailed out through mergers with larger ones, this is the first time that a building society in the industry's top 20 has got into difficulties on this scale.

On Saturday morning the chief executives of the five largest UK building societies – Halifax, Nationwide, Alliance & Leicester, Woolwich, and Leeds Permanent – met Mrs Rosalind Gilmore, the building societies commissioner, to hear details of Town & Country's plight.

Possible cash assistance to the society – if there should be a run on deposits – was also discussed, but the building society chiefs were told that Town & Country was well capitalised and there was no danger to its depositors' funds.

If it were to have serious liquidity problems, Halifax has agreed to come to its aid.

Town & Country has a £1.8bn mortgage book which grew rapidly in the second half of the 1980s and has since run into trouble.

Halifax yesterday declined to comment on the merger talks. It is reluctant to see its balance sheet weakened and may drive a hard bargain over the bonus that Town & Country members will be offered if they vote for the merger and on terms for Town & Country staff. The *commission is certain to* achieve the merger it is seeking, however.

Branson may lodge complaint over BA campaign

MR Richard Branson, chairman of Virgin Atlantic Airways, is planning to complain this week to the Civil Aviation Authority, the Department of Transport and the European Commission *over a "dirty tricks" campaign* which he alleges is being waged against his airline by British Airways.

The complaint will be lodged under the Commission's unfair competition rules. It will be the latest move in a long running row between Mr Branson and BA over what he claims is BA's anti-competitive behaviour.

A complaint to the EC in January this year was withdrawn after Virgin secured the right to operate from London Heathrow, BA's home base.

Yesterday's decision was triggered by suggestions that Virgin documents outlining the airline's potential financial difficulties were being distributed to the press.

Mr Branson believes the documents could have been distributed to undermine plans by Virgin Atlantic to raise £50m to fund further growth.

BA said yesterday that it did not intend to comment on what it described as "scurrilous accusations". One BA official said a dirty tricks campaign would be preposterous.

The row between Mr Branson and BA is being fuelled by tightening competitive conditions in the airline business where there are too many carriers for too few passengers.

Mr Branson has applied to fly into Johannesburg, one of *BA's most profitable routes* and hopes to operate a daily service to Japan.

Organisers of the Rugby World Cup, which culminated at the weekend with Australia defeating England in the final, have claimed the tournament had attracted more than 1m spectators and 2bn television viewers, writes Tim Burt. Australia's 12-6 victory at Twickenham in London, broadcast live to 40 nations, capped a four-week event that is expected to make a £20m profit. Nick Farr-Jones, the Australian captain, is pictured kicking the ball during Saturday's game.

Labour focuses on government pledges

By Ivo Dawnay, Political Correspondent

THE opposition Labour Party will today try to turn the tables on Conservative accusations of socialist profligacy by renewing warnings that a new Conservative government will be forced to raise VAT if it presses ahead with pledges to cut income tax.

This attack before Wednesday's autumn statement on public expenditure comes as Labour officials were last night casting doubts on a new weekend opinion poll showing the Tories returning to a narrow one percentage point lead.

On Thursday, attention will *switch to the three by-elections* in Scotland, Yorkshire and Cleveland, where the Conservatives are expected to lose two marginal seats.

In the interim, the council tax and the economy will dominate the week with debates planned or Wednesday and Thursday respectively. Today, Labour's Treasury team will use a news conference to accuse the Tories of planning to "bribe" the electorate with new spending in the run up to next year's general election.

They will claim that Labour's alternative programme to boost investment and tackle unemployment will create the conditions for a sus*tainable recovery without the* risk of a new recession.

Mr Gordon Brown, Labour's trade and industry spokesman, yesterday opened the hostilities by describing the government as "a caretaker cabinet" with no direction or purpose.

In a direct attack on Mr John Major's record, he quoted from the prime minister's period as chief secretary when he had promised a balanced budget and insisted that "living today and paying tomorrow" was not Conservative philosophy.

The Labour onslaught comes after an opinion poll for the Sunday Times newspaper gave the Conservatives 42 points (up 3 points on a week ago), *Labour 41 points (down 4) and* the Liberal Democrats 13 points (down 1).

IRA bomb attack reopens debate on internment

By our Belfast correspondent

THE POSSIBILITY of re-introducing internment in Northern Ireland was back on the political agenda last night, after two soldiers were killed in the IRA's first planned bomb attack on a hospital site in the province.

As military commanders and government security advisers considered the implications of the attack on the military wing of Musgrave Park Hospital in Belfast, there were renewed *calls for the* return of detention without trial of terrorist suspects.

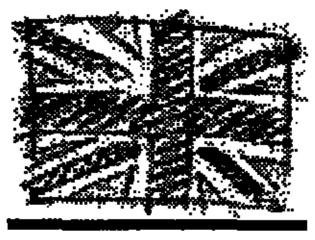
The army's top officer in the province, Lt Gen Sir John Wilsey, denied suggestions that there was any lapse at the top security hospital, which treats soldiers injured in terrorist attacks and occasionally injured IRA men.

Senior army officers in Ulster are reported to be in favour of internment on both sides of the Irish border as one of the most effective ways of countering terrorism, although the government has consistently rejected the temptation to bring it back.

Although Saturday's casualties included a five-year-old girl and some people in a civilian hospital adjacent to the military wing, the IRA emphasised yesterday that the target was "an operational military base".

Ministers believe that reintroducing internment, vehemently opposed by Nationalist politicians, could be counterproductive. Mr Peter Brooke, *the Northern Ireland secretary*, will make a full statement today.

BRITAIN IN BRIEF



UK, German tool makers sign deal

Bridgeport Machines, US-owned machine tool manufacturer, has secured a significant boost for its European expansion plans through a co-operation agreement with Maho of Germany, Europe's largest producer.

The deal, one of the most important between UK and continental machine tool builders in recent years, underlines European producers' increasing acceptance of the need to work together to meet the challenge of Japanese and Taiwanese competitors. Bridgeport, one of the UK's biggest manufacturers, will gain access to Maho's world-wide marketing network, through which it will sell *products manufactured especially* for the German company.

Drain on union's funds

The Transport and General Workers Union, for many decades Britain's largest and most powerful union, is currently losing £211,000 a week and will have to adopt far more rigorous business methods to reverse this "extremely *adverse" position, according to* a report circulated prior to tomorrow's emergency executive meeting. The report suggests contracting out the management of the union hotel, to be run on commercial lines, and forcing members to contribute to legal fees.

ICI to build £37m plant

Imperial Chemical Industries will today announce a £37m investment for new plant to manufacture Quorn, the meat substitute. This will increase UK capacity from 1,200 to 7,000 tonnes a year. The additional production will be used to expand the distribution of Quorn throughout the UK. The product is at present mostly sold in the south-east.

Top job for Tory woman

Mrs Gillian Shephard, the junior Treasury minister, (pictured above) has been *appointed a vice-chairman* of the Conservative Party with special responsibility for liaison with industry and business. Her nomination by Mr John Major, the prime minister, is seen as an effort to confirm his determination to promote women to senior positions and as a bid to improve the party's standing with the business community.

BR to double part-time staff

British Rail is expected to double the number of part-time staff within the next five years, from about 10 per cent at present to at least 20 per cent. The changing nature of the workforce will reflect the need for greater efficiencies.

Improvement in links

Industry has expanded its links with the education system over the last four years, according to a CBI-sponsored survey which found that the number of local educational authorities running compacts with industry has risen by 72 per cent over the period. The survey, from the London School of Economics, found that almost all local education authorities have formed a partnership with local businesses.

Ashdown critical of EC

The EC is failing to abide by its own principle of "subsidiarity" by which decision-taking powers are devolved as closely *as possible to the citizen*, Mr Paddy Ashdown, the Liberal Democrats' leader, has said. Speaking in Germany he reconfirmed his party's support for a federal Europe but then criticised the Commission for intervening in decisions better settled at local level.

Action on environment

Twenty five leading British companies, led by Shell UK, will today ask the government to implement a list of environmental policies including higher petrol tax and a national target for energy efficiency improvements, the Department of the Environment has said.

Task Force for South Tyneside

Britain's newest government-funded Task Force, intended to foster jobs, training and enterprise, starts work today in South Tyneside, an area which features towards the top of the unemployment league table for mainland Britain. The Task Force, one of 16 in inner city areas, plans to complement local authority and private sector initiatives.

LEGAL NOTICES

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re

PAN AM CORPORATION et al.,

Debtors.

Chapter 11 Case Nos.
91 B 10080 (CB)
through
91 B 10087 (CB)

NOTICE OF BAR DATE FOR FILING ADMINISTRATIVE PROOFS OF CLAIM AND PROCEDURE THEREFOR

Notice is hereby given that, pursuant to an order of this court, dated October 25, 1991, and in accordance with Bankruptcy Rule 3003(c)(3), the court has set November 25, 1991, AT 5:00 P.M., EASTERN TIME as the date by which proofs of claim must be filed in respect of ALL CLAIMS ARISING BEFORE NOVEMBER 15, 1991, ten days prior to the administrative bar date (the "Administrative Bar Date") against debtors Pan Am Corporation, Pan American world Airways, Inc., PAA Corp, Pan Am Express, Inc., Pan Am Shuttle Inc., Alert Management Systems, Inc., Allmat International, Inc., and Pan Am Commercial Services, Inc. in the above-captioned chapter 11 cases (collectively, "Debtors"), and has prescribed procedures for filing such proofs of claim. The deadline and procedures set forth herein apply to all claims of whatever character, except as described below, that arose prior to November 15, 1991, the Administrative Bar Date, against any Debtor or its estate, whether secured or unsecured, liquidated or unliquidated, fixed or contingent. IF YOU ARE REQUIRED TO FILE A PROOF OF CLAIM BUT DO NOT DO SO IN THE MANNER AND TIME PRESCRIBED, YOUR CLAIM WILL BE FOREVER BARRED AND YOU WILL RECEIVE NO FURTHER NOTICES REGARDING YOUR CLAIM.

1. **WHO MUST FILE:**
You must file a proof of claim if you have an Administrative Claim incurred prior to November 15,1991, ten days prior to the Administrative Bar Date, unless your claim is of a type described in Paragraph 2 or 4.

2. **WHO SHOULD NOT FILE:**
Do NOT file a proof of claim if you do not have an Administrative Claim against any of the Debtors. This notice is being sent to many who may not have an Administrative Claim or who are otherwise not required to file a proof of claim. The fact that you have received this notice does not mean that you have an Administrative Claim or that either Debtors or the court think that you have an Administrative Claim.

Do NOT file a proof of claim regarding any claim for which you have previously filed a proof of claim.

Holders of Administrative Claims for services rendered postpetition who are professionals (including attorneys, accountants, investment advisors and industry consultants) employed by Debtors pursuant to Sections 327 and 1102 *of the Bankruptcy* Code, *any other person who may be entitled to reimbursement of expenses or allowance* of fees pursuant to Section 503(b)(2) through 503(b)(6) of the Bankruptcy Code (including awarded compensation or reimbursement of actual and necessary expenses for professionals, debtors' attorneys or paraprofessional persons, creditors that recover property for the benefit of the estate, a creditor, indenture trustee, equity security holder, or committee representing creditors or equity security holders other than a section 1102 committee and their attorneys or accountants, and an indenture trustee), or any of the above-mentioned persons or section 1102 creditors committee retained or requesting compensation pursuant to sections 327, 328, 503(b) or 1103, need not file a proof of claim, but rather must file an application for allowance in accordance with the Joint Plan of Reorganization filed in these cases.

Current employees of Debtors need not file a proof of claim for amounts owed relating to regular payroll claims.

3. **PROOFS OF INTEREST:**
Do NOT file a proof of interest by reason of your ownership of shares of common stock of Pan Am Corporation.

4. **MULTIPLE CLAIMS:**
If you have more than one Administrative Claim, you should apply Paragraphs 1 and 2, separately, to each of your Administrative Claims. For example, if you have one Administrative Claim that should not be filed and a second Administrative Claim that must be filed, you should file a proof of claim as to the second Postpetition Claim only.

5. **WHEN AND WHERE TO FILE:**
The deadline for filing a proof of claim is 5:00 P.M., Eastern Standard Time, on November 25, 1991. YOU MUST FILE THE ORIGINAL OF EACH PROOF OF CLAIM, INCLUDING ATTACHMENTS, AT THE FOLLOWING ADDRESS BY MAIL TO:
Bankruptcy Clerk - Pan Am Claims
Post Office Box 1017
Bowling Green Station
New York, New York 10004
OR IN PERSON TO: Office of the Clerk, United State Bankruptcy Court, One Bowling Green, New York, New York 10004

A PROOF OF CLAIM IS NOT FILED UNTIL IT IS RECEIVED BY THE CLERK OF THE BANKRUPTCY COURT.

This deadline is absolute, unless your claim:

(a) Arises from the rejection by Debtors after November 15, 1991 of an executory contract or an unexpired lease, in which case the deadline will be fixed by the court in order approving the rejection.
(b) Arises from a recovery by Debtors of an avoidable transfer made to you, in which case the deadline will be 30 days after entry of the court order or judgment for recovery of the transfer.
(c) Is a tax claim described in Bankruptcy Code section 502(i), 11 U.S.C. §502(i), that does not arise until after November 15, 1991.
(d) *Arises from a transaction with Debtors taking place after November 15, 1991.*

6. **WHAT TO FILE:**
If you file an Administrative Proof of Claim, you are required to use the enclosed proof of claim form or one obtained from Cleary, Gottlieb, Steen & Hamilton, Attorneys for the Debtor, or Pan Am, as listed in Section 7 and 8 below. If you received this notice by mail, it should be accompanied by the appropriate form. If you received this notice by publication or any other means, you may obtain the appropriate forms from the Clerk's Office of any United States Bankruptcy Court. FAILURE TO USE THE PROPER FORM MAY RESULT IN A DELAY IN PAYMENT OF YOUR CLAIM.

PLEASE TAKE FURTHER NOTICE THAT ALL PERSONS AND ENTITIES OTHER THAN THOSE DESCRIBED IN PARAGRAPHS 2 AND 3 ABOVE MUST FILE A PROOF OF CLAIM ON OR BEFORE THE NOVEMBER 25, 1991 ADMINISTRATIVE BAR DATE IN THE ENGLISH LANGUAGE AND ANY *AMOUNTS CLAIMED THEREIN MUST BE CONVERTED TO UNITED STATES DOLLARS AS OF THE* CLOSE OF BUSINESS NOVEMBER 15, 1991 USING THE RATES REPORTED IN THE WALL STREET JOURNAL, OTHERWISE, HOLDERS OF SUCH ADMINISTRATIVE CLAIMS SHALL BE FOREVER BARRED FROM RECEIVING ANY DISTRIBUTION OF CASH OR PROPERTY UNDER ANY PLAN OF REORGANIZATION, OR FROM ANY SUCCESSOR TO A DEBTOR.

7. **ADDITIONAL REQUIREMENTS:**
(a) If you are a stockbroker or other agent of a bondholder (including a record holder or depository agent) and you hold a debt of any of the Debtors as trustee, as nominee, in street name or otherwise, you must transmit a copy of this notice to each beneficial holder of any such security within five days of your receipt of this notice. Upon request, Debtors will supply you with the necessary additional copies of this notice and Proof of Claim form.
(b) YOU SHOULD INCLUDE ALL CLAIMS AGAINST A DEBTOR ON A SINGLE PROOF OF CLAIM FORM.
(c) YOU SHOULD ATTACH TO YOUR COMPLETED PROOF OF CLAIM FORM COPIES OF ANY WRITINGS UPON WHICH A CLAIM IS BASED.

8. **FURTHER INFORMATION:**

If you have a question about this notice, you should contact Pan Am Corporation, 8 King Road, Rockleigh, New Jersey, (201) 767-2012 during the hours 9:00 A.M. to 5:00 P.M. (Eastern Standard Time).

If you have questions concerning unsecured creditors of Debtors, you may contact Counsel for the Official Committee of Unsecured Creditors Monday through Friday at: Milgrim, Thomajan & Lee, 53 Wall Street, New York, New York 10005.

Debtors' Counsel is Cleary, Gottlieb, Steen & Hamilton, One Liberty Plaza, New York, New York 10006.

ANY OTHER QUESTIONS, SUCH AS WHETHER YOU SHOULD FILE AN ADMINISTRATIVE PROOF OF CLAIM OR TAKE ANY OTHER ACTION WITH RESPECT TO YOUR ADMINISTRATIVE CLAIM, SHOULD BE DIRECTED TO YOUR ATTORNEY.

Dated: New York, New York
November 1, 1991

CLEARY, GOTTLIEB, STEEN & HAMILTON

By: /s/ George Weisz
George Weisz (GW7120)
A Member of the Firm

Attorneys for Pan Am Corporation, et al.,
Debtors and Debtors in Possession
One Liberty Plaza
New York, New York 10006
(212) 225-2000

APPOINTMENTS

JAPANESE WARRANT TRADER

Leading international investment house requires individual to trade Japanese warrants denominated in Japanese Yen, US$, Swiss Francs and Deutschmarks. Applicants should be aged 25-30, preferably educated to degree standard, with minimum 2-3 years' experience in Japanese debt, equity and equity derivative products. Position involves valuation of Japanese warrants from technical and fundamental perspective for trading purposes; valuation and trading of index options in the Nikkei 225; provision of real time risk schedules for various trading scenarios in warrant/future arbitrage, single stock hedging and outright trading positions; extensive PC knowledge to facilitate maintenance of databases of various trading components. Salary negotiable.

Please write, in strictest confidence, enclosing full cv to
Box A1684, Financial Times, One Southwark Bridge, London SE1 9HL

APPOINTMENTS

Campaign leader

Rodger Young has been named director general designate of the British Institute of Management, the members of which are hoping to strengthen their voice and influence by merging the 68,000 strong British Institute of Management and the much smaller Institution of Industrial Managers.

The two bodies, which already had an affiliation agreement, are stressing that the decision to merge is *mutual and will help provide* "greater in-depth support" to their combined 80,000 membership.

However, the Institute, which has seen its own membership "fall gradually" over recent years, is no doubt also hoping that the merger will encourage others to join its shared vision of a revitalised managers "confederation".

Young, 51, who was previously chief executive of the *March Group and the London* branch of Bank Julius Baer, will be leading that campaign. He will succeed Peter Benton who is stepping down at the end of his five-year contract as director general at the end of *the year.*

Critical time at UniChem

Marianne Burton has been appointed a non-executive director of UniChem, the pharmaceuticals wholesaler.

A former director with UBS Phillips & Drew Corporate *Finance, Burton joins* UniChem at a critical time as the company has recently become embroiled in a tense three-way takeover tussle for the rival Macarthy business.

UniChem's bid has been referred to the Monopolies and Mergers Commission for consideration and a decision is expected in January.

Burton knows UniChem well, having worked on the team that converted the business from a co-operative to a publicly-listed company.

She left UBS Phillips & Drew in March to spend more time with her young family.

Sir Antony Acland has become a non-executive director on the board of Shell Transport and Trading, the main board of the Anglo-Dutch oil company. His appointment increases the board to 12.

Sir Antony was formerly British ambassador to the US for four years.

Sir Frederick Holliday and **Sir John Riddell** will become non-executives at Northumbrian Water. Professor Sir Frederick Holliday, who retired as *vice-chancellor of the* University of Durham last year, concentrated his research work on oceanography. He chaired a group examining the dumping of nuclear waste at sea and has just completed a year as chairman of the joint committee of the Councils for Nature Conservation.

Sir John Riddell, since May last year the deputy chairman of Credit Suisse First Boston, was private secretary and treasurer to the Prince and Princess of Wales for five years; he is deputy lieutenant of Northumberland.

■ **Clare Tritton QC** has become a non-executive director of Severn Trent; **John Loudon**, chairman of Caneminster, of Tambrands; **Niven Duncan** and ***Ronald Herkes*** of Peel Holdings; **Jon Pither** as deputy chairman of Suter.

CONTRACTS

£60m orders won by Lilley Group

During September/October the **LILLEY GROUP** was awarded £60m of new orders, including infrastructure, specialist tunelling and railway centre construction.

Lilley Construction Southern *has* been awarded an £8.6m contract for a new train operations centre at Wembley; the contract involves the removal of all old facilities and the fitting of a 17km rail line with electrification and signalling.

MDW's contribution of £22.1m includes a £10m order to build student residences for Glasgow University and an £8m fitting out project for Britannia Life in Glasgow.

Lilley Tunnelling has received £9.8m of new orders, the most significant of which is a £9m tunnelling and drainage project for Anglian Water in Cambridge.

The rest of the Group has won £19.7m of new projects; Lilley Construction Scotland (£6.2m); the north of England operations, Eden Constuction and Robison & *Davidson* (£6.5m); the Midlands operations, Lilley Construction Midlands and the Standen Group (£4.7m) and the southern operations, Henry Jones and the Hatfield Group (£2.3m).

Scottish retail project

MOWLEM SCOTLAND, of Kilsyth and Aberdeen, the Scottish subsidiary of John Mowlem Construction, has been awarded two contracts for the construction of phase 4 of The Kingdom Centre at Glenrothes, Fife. This is believed to be the biggest retail development of its kind currently in Scotland.

The combined value of the two contracts, being undertaken for Neale House Properties (Glenrothes) and the Glenrothes Development Corporation, totals £13m.

For Neale House, Mowlem Scotland is extending the commercial and retail development; the work consists of a large retail store, mixed single and part two-storey retail units and a mall/atrium complex.

The shell of the community hall is also included in this contract, *with the overall* development extending to about 16,000 sq metres of gross floor area.

Features of the mall will include a gazebo entrance to the 150-seat terraced cafe; extensive use of glass to create a light bright conservatory-*type atmosphere*, landscaping, seating, attractive mosaics depicting a heraldic theme, plus a scenic lift from ground to upper floor.

The contract with the Development Corporation covers the fitting out of the multi- purpose community hall which is adaptable for use as a theatre, sporting venue, exhibition or conference centre. Work is due for completion in two years.

Alfred McAlpine active

ALFRED McALPINE MAJOR PROJECTS has received contracts worth more than £20m for roadworks and civil engineering. Work has already commenced, with completion *dates extending well into* 1993.

The largest of the road contracts is the £6.7m A595 Egremont bypass in Cumbria. It will provide five kilometres of 10 metre wide single carriageway of flexible or flexible/composite construction with three roundabout junctions.

The project includes a three-span 60 metre bridge over the River Ehen on in situ cast concrete columns and composite decking, as well as three in situ cast concrete subways and three retaining walls.

The company also has the A596(T) Wigton bypass scheme in hand, a 4.35 kilometre single carriageway with an overbridge, underbridge, *footbridge* and earth-retaining walls.

The other road contracts are *the A607 Syston bypass* in Leicestershire and the Horsehay bypass in Shropshire.

At Syston, the £5.2m two kilometre bypass will comprise a 7.3 metre single carriageway with hard strips and slip roads. The contract includes bridges over the River Wreake and the Queniborough Brook, as well as a railway bridge, pedestrian/cycle subway and various other associated works.

Horsehay bypass involves improvement of the A5223 Wellington Road on the western edge of Telford New Town.

Rail station at Paris airport

WATSON STEEL, a fabrication company recently formed by the AMEC Group, has been awarded a £12m contract for a complex high profile roof structure at Charles de Gaulle airport in Paris.

The contract, for Aeroport de Paris, will involve the fabrication and erection of a highly engineered 2,200 tonne fully glazed station roof.

The complex structure will form the main facility for high-speed TGV trains linking the Channel Tunnel with the south of France.

The project includes the main TGV station roof which will be divided into four sections, each about 100 metres long by 50 metres wide, and an additional terminal for the local RER train network which provides transport to the centre of Paris.

The total glass area is 22,000 sq metres to the roof and 5,500 sq metres to the facades. The roof steelwork will be finished to very strict tolerances and be formed of both tubular and open sections and include tie bars and castings.

Fabrication will begin early next year at a variety of Watson locations. Site work will start in July 1992 with completion programmed for mid 1993.

Malaysian dam

INGERSOLL-RAND has won an order worth over £2m for equipment to *construct the* Pergau dam in the mountainous north of peninsular Malaysia.

The contract has been placed by the joint venture company formed by Balfour Beatty and Cementation International with the Malaysian contractor, *Kerjaya Binaan Sdn Bhd.*

The order includes nearly 60 compressors and comprises both Sitepack stationary and P range portable units. The contract also includes two ECM 350/VL - 140 pneumatic drill and drifter packages.

CONTRACTS & TENDERS

Contract Opportunity

ERSKINE BRIDGE STRATHCLYDE
TOLL COLLECTION CONTRACT

The Scottish Office Industry Department intends to invite tenders from experienced companies for the Toll Collection Contract at the Erskine Bridge. The initial contract will be for a period of 4 years. Consideration will be given to proposals for automated toll collection or to continue with the existing manual arrangement.

Preliminary particulars giving details of the opportunity and the information which requires to be provided prior to selection for inclusion on the Tender List can be obtained from:-

JAMES BARR & SON
Chartered Surveyors, 213 St. Vincent Street, Glasgow G2 5QH.
Telephone: 041-248 3221 Reference: KMB and AFP.

It should be noted that applications to be included in the Tender List will require to be submitted to the Agents by 25th November 1991, and must be accompanied by details of experience and financial standing.

PETROBRAS
PETROLEO BRASILEIRO S.A.

ALBACORA AND MARLIM PIPELINE DESIGN PROJECT
CALL FOR PRE-QUALIFICATION
Nº 9.570.277.91

PETROBRÁS inform that the deadline for documentations' delivery concerned the pre-qualification process of international companies interested in submitting, through a Joint-Venture agreement between a foreign company and a Brazilian partner, competitive bids for the detail design of subsea trunklines and gathering lines for the hydrocarbon reserves of Marlim and Albacora fields, located along the coast of the State of Rio de Janeiro, Brazil, has been postponed to November 20th, 1991.

Interested companies shall fulfill the requirements listed in the pre-qualification document Nº 9.570.277.91 which can be acquired at PETROBRAS, 197 Knightsbridge, London, SW7 1RB, Phone 71 823.8422, c/o Mr. Vilela, for a fee of US$ 1,150.00.

Bidding Committee

LEGAL NOTICES

WEMBLEY SPORTSMASTER LIMITED
FERGABROOK LIMITED
HARLESTONE INDUSTRIES LIMITED
SPLITDOOR LIMITED
CLEARMARK GROUP PLC
DIOZONS LIMITED
JACK MATTHEWS & SON LIMITED
COSMETICS & TOILETRIES LIMITED
WARD ADAMS LIMITED
CLEARMARK PRODUCTIONS LIMITED
ALL IN ADMINISTRATIVE RECEIVERSHIP

Notice is hereby given, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named companies will be held at the Swallow Hotel, Eagle Drive, Northampton, NN4 0HW, on 18th November 1991, at 10.30 a.m., for the purposes mentioned in Sections 48 and 49 of the Insolvency Act 1986.

Creditors wishing to vote at the meeting must lodge details of their claims and proxies at the offices of Touche Ross & Co., Newater House, 11 Newhall Street, Birmingham B3 3NY, by 12 noon on the day before the meeting.

Creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting.

ART GALLERIES

CRANE GALLERY
171a(First Floor) Sloane St, SW1. 071-235 2464/235 9128. Fax:071-584 3843.
JENNY FRANKLIN - Recent Paintings and Watercolours (prices from £900). Cat. available with intro. by Bryan Robertson.
Until 18 Nov. Mon-Fri 10-6, Sat 10-4

CRANE KALMAN GALLERY 178, Brompton Rd., London SW3 071-584 7566. STELLA SHAWZIN: Sculptures in Carrara marble. Until 16 Nov. Mon-Fri 10-6. Sat 10-4.

CLUBS

EVE has outlived others due to policy of fair play and value for money. Supper from 10-3.30 am. Glamorous hostesses, exciting cabaret. 189 Regent St, W1 071-734 0557

LEGAL NOTICES

GULF INTERNATIONAL HOLDINGS S.A.
Luxembourg
Notice

By an Order dated 25 October 1991 the District Court of Luxembourg, 2nd Section, ordering in commercial matters, has placed the management of the company S.A. GULF INTERNATIONAL HOLDINGS, having its head offices in Luxembourg, 16, bd Emmanuel Servais (new address: 4a, bd Grande-Duchesse Charlotte), under supervised management and has appointed as commissioners to the management:

Guy BERNARD, Chartered Accountant, residing in Luxembourg, 283, route d'Arlon, and

Georges BADEN, *attorney-at-law*, residing in Luxembourg, 8, bd Royal with the duties in accordance with the relevant law and in order to draft as soon as possible and at the latest by 25 April 1992 a reorganization plan for the company, plan which is to be disclosed to creditors, joint debtors and known guarantors, to be published by excerpts in the Memorial and to be filed for approval with Court.

This Order has been declared provisionally enforceable.

The commissioners request all creditors of the company to send them their proofs of claims together with all supporting documentation at the address hereafter:

Me Georges BADEN
avocat
8, bd Royal
L-2449 Luxembourg

for the commissioners:
Georges BADEN

RENTALS

THE WEEK AHEAD

ECONOMICS

International markets likely to be unmoved by Autumn Statement

THE Autumn Statement on public spending and economic prospects will star in the UK economics scene this week, but is likely to leave the rest of the international markets unmoved.

An additional £7bn is expected to be added to the £221bn planning total for 1992-93, the recession and poll tax cushions being responsible for much of the increase. As a figure of £15bn was kicking around in the markets over the summer, the new planning total is unlikely to shake either the pound or the gilts market.

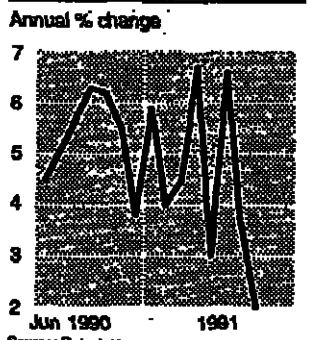
The three by-elections on Thursday could, however – if it begins to look as if the government's standing in the polls might be translated into an election defeat some time in the first six months of next year.

Today's official reserves could indicate that Mr Norman Lamont's decision to launch an Ecu note programme was influenced by the low level of reserves – insufficient to prevent a run on sterling leading to a rise in interest rates.

In Germany, the Bundesbank council meets on Thursday amid a raft of statistics on output and employment that could indicate the slowdown may be fiercer than originally anticipated. Industrial output is expected to rise by a monthly 0.5 per cent, helped by seasonal rebounds in construction and utility output. The labour market is also expected to have weakened in October, following the slowdown in activity that has followed the post-reunification boom.

German industrial production

Annual % change



Source: Datastream

Manufacturing orders, though, could fall, due to a decline in domestic orders fully offsetting a rise in foreign ones. Other important events and statistics, with median market forecasts from MMS International, the financial research company in brackets, include:

Today: Japan, public holiday. UK, official reserves (down $100m), Confederation of British Industry conference begins in Bournemouth. Canada, leading indicators for August. Brussels, EC foreign ministers discuss negotiations on EC political union.

Tomorrow: US, Federal Open Markets Committee meeting. Washington, Labour Department releases productivity and costs for third quarter, October auto sales (6.4m); Treasury Department announces results of fourth quarter refunding. Tokyo, parliament names new prime minister. France, September money supply (M3). UK, cyclical indicators.

Wednesday: UK, Autumn Statement on economic prospects and public spending. US, third-quarter non-farm preliminary production. Canada, August leading indicator, October help-wanted index (74.0). Germany, October unemployment west (5,000), short-time workers east.

Thursday: Germany, Bundesbank council meeting. UK, three by-elections. Bank of England issues weekly data on notes in circulation. US, September consumer credit (down $1bn), wholesale trade, money supply, initial claims (425,000). Australia, October unemployment rate (10.3 per cent).

Friday: Canada, housing starts (170,000), unemployment, employment growth for October (flat), and unemployment rate (10.3 per cent). Australia, credit growth and broad money for October. US, October FOMC minutes released.

During the week: Germany, September manufacturing orders (down 0.3 per cent), output (0.4 per cent), industrial production (0.5 per cent), current account (down DM2bn), trade balance (DM2.7bn). France, provisional consumer prices index for October.

Rachel Johnson

RESULTS DUE

UNILEVER'S third quarter results, due on Friday, are expected to show modest growth after a 1 per cent fall in the first half. Analysts' forecasts range from £510m to £530m, up from £496m.

The main source of recovery is expected to be in north America. The company says business there began to improve in early summer, while the restructuring of its Lipton beverages operation in the US should also start to show results.

British Petroleum will report its third quarter results on Thursday against a background of firm oil prices but weak refining margins. An increase from £103m to £215m is forecast in its replacement cost profit, which strips out the effect of stock gains and losses.

However, historic cost earnings are expected to be depressed at £292m, after £822m in the same 1990 period, as a result of lower stock gains.

Analysts are anxiously awaiting interim results from **J. Sainsbury**, the grocery chain, due out on Wednesday. The numbers themselves are likely to be reassuring with pre-tax profits at about £320m, compared with £273m.

But followers will be keen to hear the company's response to the recent spate of scare stories about price wars and falling sales volumes in the food trade.

National Home Loans, the mortgage lending specialist and financial services group, is expected to slip into a loss when it announces its full-year results on Friday.

Last year NHL made a profit of £30.2m, but it has been badly hit by the recession in the housing market and the need to make provisions against loan losses. Estimates of how far NHL has gone into the red range from £5m to £60m.

In August, the large banks had to launch a lifeboat operation to prevent it going under after local authorities pulled out deposits from its small banking subsidiary in the wake of the BCCI collapse.

UK COMPANIES

■ TODAY
BOARD MEETINGS:
Finals:
VTR
Interims:
Europe Energy
Globe Petroleum
Renold
Wood (SW)
■ TOMORROW
BOARD MEETINGS:
Finals:
Bridport-Gundry
TIP Europe
Interims:
Aitken Hume Intl.
German Inv. Trust
German Smaller Co's Inv.
Mid-Southern Water
Powerscreen Intl.
Ulster Television
■ WEDNESDAY NOVEMBER 6
COMPANY MEETINGS:
Cantors, 164-170, Queens Road, Sheffield, 12.30
Lloyd Thompson, Beaufort House, 15, St. Botolph Street, E.C., 11.00
Magnetic Materials, Ironmongers Hall, Aldersgate Street, Barbican, 11.30
BOARD MEETINGS:
Finals:
Bellway
Blenheim
Bibby (J)
Interims:
Ocean Wilsons
Sainsbury (J)
■ THURSDAY NOVEMBER 7
COMPANY MEETINGS:
Community Hospitals, Chartered Insurance Institute, 20, Aldermanbury, E.C., 12.00
Intl. Media Comms., Chesterfield Hotel, 35, Charles Street, W., 11.00
Scholes, Old Rectory, Station Road, Wilmslow, Cheshire, 12.00
Walker (Thomas), Midland Hotel, Birmingham, 12.00
BOARD MEETINGS:
Finals:
Fenner
Low (Wm.)
Interims:
Appleby Westwood
BMSS
British Petroleum
British Telecom
Burtonwood Brewery
First Ireland Inv.
Jersey Phoenix Trust
Precious Metals Trust
St. James's Place Capital
Sims Food
Westbury
Whitbread Inv.
■ FRIDAY NOVEMBER 8
COMPANY MEETINGS:
Ossory Estates, Mayfair Intercontinental Hotel, Stratton Street, W., 12.00
Ricardo Intl., Royal Aeronautical Society, Hamilton Place, W., 12.00
BOARD MEETINGS:
Finals:
Manganese Bronze
National Home Loans
Interims:
Futura Hldgs.
Oxford Instruments
Unilever

Company meetings are annual general meetings unless otherwise stated.

PARLIAMENTARY DIARY

■ TODAY
Commons: Debate on the Queen's Speech – Employment and Education.
Lords: Debate on the Queen's Speech – Foreign Affairs and Defence.
Select committee: Environment – subject, coastal zone protection. Witnesses: Department of the Environment (Room 21, 4.30pm).
■ TOMORROW
Commons: Debate on the Queen's Speech – Rights, Freedoms and Responsibility.
Lords: Debate on the Queen's Speech – Local Government, Environment and Agriculture.
Select Committees: Social Security – subject, organisation of the Social Security Department. Witnesses: National Association of Citizens Advice Bureaux; Central London Social Security Advisers' Forum (Room 21, 10.30am).
Sittings of the House: Witness: John MacGregor, MP, Leader of the House (Room 15, 11am).
Home Affairs – subject, Channel Tunnel fire safety and policing. Witnesses: Eurotunnel and British Rail (Room 15, 4.30pm).
■ WEDNESDAY
Commons: Queen's Speech Debate – the Council Tax.
Lords: Queen's Speech Debate – Home and Social Affairs and Education.
Select Committees: Foreign Affairs – subject, developments in Central Europe. Witness: Douglas Hogg, MP, Foreign Office Minister (Room 15, 10.30am).
Treasury and Civil Service – subject, banking supervision and BCCI. Witnesses: Money Brokers; and Bank of England officials (Room 8, 10.45am).
Energy – subject, privatisation of Northern Ireland Electricity. Witnesses: Northern Ireland Action Group on Electricity Prices; N Ireland Electricity (Room 21, 11am).
Health – subject, maternity services. Witness: Virginia Bottomley, MP, Health Minister (Room 17, 4.15pm).
Transport – subject, preparations for opening the Channel Tunnel. Witnesses: British Rail officials (Room 8, 4.30pm).
Procedure – subject, review of European standing committees. Witnesses: Chairmen's panel (Room 7, 5pm).
■ THURSDAY
Commons: Debate on Queen's Speech – the Economy.
Lords: Debate on Queen's Speech – Economic affairs.
Select committee: Social Security – subject, organisation of the Social Security Department. Witnesses: Islington Council Welfare Rights Office (Room 21, 10am).
■ FRIDAY
Commons: Debate on the Environment.

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Camellia 11p
Enterprise Oil 6.5p
First Spanish Inv. Tst. 1p
Great Southern 3.3p
Guinness 6.1p
Haden MacLellan 3p
Hepworth 5.5p
Morrison (Wm.) Sprmkts. 0.4p
New Zealand $11\frac{1}{4}$% 2008 (Br.) 5.625pc.
Do. $11\frac{1}{4}$% 2008 (Reg.) 5.625pc.
Plasmec 1p
Reece 0.1p
Sherwood Computer 1.5p
Travis Perkins 2.5p
■ TOMORROW
Baynes (Charles) 0.5p
Cambridge Elect. Inds. 3.3p
Credit National $13\frac{1}{2}$% Gtd. Nts. 1993 (Reg.) 6.75pc.
Do. $13\frac{1}{2}$% Gtd. Nts. 1993 (Br.) 6.75pc.
EW Fact 1.21p
Quicks 1p
Sennah Rubber 50p
■ WEDNESDAY NOVEMBER 6
Assoc. British Ports 3.1p
Brixton Estate $7\frac{3}{4}$% 1st Mtg. Deb. 87/92 3.875pc.
Cadbury Schweppes $8\frac{1}{4}$% Uns. Ln. 94/2004 4.125pc.
Courtaulds 6% Red. 2nd Prf. 2.1p
Do. $7\frac{1}{4}$% Uns. Ln. 94/96 3.625pc.
Do. $6\frac{1}{2}$% Uns. Ln. 94/96 3.25pc.
De Beers Cons. Mines/ Centenary Linked Units 15cts.
Do. Centenary L-Units Dfd. Receipts 28cts.
Delta $10\frac{3}{4}$% Deb. 95/99 5.375pc.
Estates & General 1.225p
GKN 8p
Lincat 3.3p
Mid-States 0.75p
Steetley $4\frac{1}{2}$% Prf. 1.575p
Vickers 3.7p
Whitbread $7\frac{1}{4}$% Uns. Ln. 95/99 3.625pc.
Wilson Bowden 2.5p
■ THURSDAY NOVEMBER 7
Albany Inv. Tst. 1.25p
BBA 10% Deb. 89/94 5pc.
Bristol & West Building Society Fltg. Rate Nts. 1994 £277.26
British Petroleum 4.2p
Cantors 3p
Do. A Non.V 3p
Conversion $9\frac{3}{4}$% 2003 4.875pc.
Gowrings 1p
I & S Optimum Inc. Tst. 1.8p
Logica 2.35p
Needler 2.5cts.
Peninsular & Oriental Steam Nav. 13.5p
Provident Financial 8.5p
River & Merc. American Cap.& Inc. Tst. 1.8p
Schroders 5p
Do. Non-Vtg 5p
Shell Trans. (Reg.) 8.9p
Do. (Br.) 8.9p
Starmin 0.1p
Steel Burrill Jones 4.25p
Treasury $10\frac{1}{2}$% Cnv. 1992 5.25pc.
Trevian Hldgs. 1p
United Friendly 4.2p
Do. B (Rest-Vtg) 4.2p
■ FRIDAY NOVEMBER 8
American Express 2cts.
Barclays Overseas Inv. Jun. Gtd. Undated. Fltg. Rate. Nts $162.92
Bentalls 0.6p
Boddington 2.35p
Christiana Bank OG Kreditkasse Prim. Cap. Und. FRN $322.64
Clifford Foods 4.4p
Do. A Non-Vtg 4.4p
Community Hospitals 3.8p
Cons. Plantations Berhad 4sen
Control Securities 0.15p
Edinburgh Fd. Managers 5p
Hydro-Quebec Fltg. Rate Nts. Sers FV May 2005 $303.83
Macallan-Glenlivet 0.25p
Molyneux Estates 0.5p
Nottingham Corp. Gas Anns £16.25
Pickwick 1.65p
Richards 1.65p
Royal Insurance 11.25p
Servomex 1.8pSinclair (William) 5.1p
Skopbank Sers B Undated Vars Rate Nts. $169.31
Walker (Thomas) 0.7p
Watmoughs 2.5p
■ SATURDAY NOVEMBER 9
Arjo Wiggins Appleton 3.3p
Intl. Bank for Rec. & Dev. $11\frac{1}{2}$% Ln. 2003 5.75pc.

MANAGEMENT

BIG BANG
The first five years

Big Bang was all about money. The throwing open of the UK stock market five years ago was meant to attract internationally mobile investment money to London. And money lay at the heart of the management response by the banks which crowded into London as a result. That money alone does not solve strategic or management problems is the painful lesson that has been learned ever since.

Stock market reform

Brokers learn the value of money

Richard Waters reports on a change of approach at investment houses in the City of London

The Big Bang reforms allowed banks and other outsiders into the stock market in the UK for the first time. In a knee-jerk reaction, many banks from around the world reached for their cheque books. Commercial banks in particular, which had little or no experience of securities and investment banking, felt that cash would solve all their problems.

The flood of money was notable in three ways. First, it was used to pay large amounts of goodwill for broking and jobbing firms. Few banks carried out detailed investment appraisals to justify this spending: it was simply accepted as a strategic imperative.

Second, large amounts of money were used to secure the most valuable resource in the stock market: people. An array of devices, from golden handcuffs to gold hellos, were used to bribe valued staff either to join or not to leave.

Third, money was used to create an infrastructure out of nothing for this new investment banking industry. It drove London office rents up during the 1980s, and created the banks of screens and computer power for which the modern dealing rooms became famous. But behind these glittering front office facades lay a worrying vacuum: the back office, where deals are confirmed and settled, remained a primitive backwater. And, equally importantly, risk control and management information systems lagged well behind the proliferation of new businesses and products.

The former finance director of one fledgling integrated investment bank recalls now how the expansion was handled. A new trading area, or "product", would be identified – Japanese equity warrants, for instance. Next, a team of traders would be poached from another house. Then an off-the-shelf software package was installed to enable them to track their exposures. Banks' trading operations were built out of collections of these software "modules", none of which linked into any of the others. Finally, existing settlement staff were asked to provide back-up support, often for products they did not fully understand.

Money was the only response banks had to these half-baked expansion policies. By buying the best people and the best computers, they hoped to stay one step ahead of their competitors.

That these policies failed is now widely accepted. But tackling costs has been only part of the answer. Banks have also had to face up to the fact that their investment banking subsidiaries are complex, multi-product international businesses. They need skilled management and sophisticated control and information systems. Different ways of motivating and retaining staff have had to be devised. The changes can be traced in at least four ways.

David Jones (top) and Lord Cairns: a time of continuing change on the trading floor

First, most banks have strengthened previously inadequate management, and few of the senior figures in the industry are the same as those at the time of Big Bang. The inadequacies had two causes. One was that commercial banks put their own people in as senior managers of trading businesses which they did not understand.

The other problem was the management inexperience of many stockbrokers. They had proved effective managers of small, owner-managed partnerships but had no experience of the large, multi-divisional businesses that were created out of nothing by Big Bang.

Time has helped to heal these problems. Commercial bankers have learnt more about trading businesses, and stockbrokers have been trained to manage better. Most securities divisions in the City are still run by former investment analysts, but from a new generation.

Little new blood has been come into the industry from outside. But where new managers have been brought in, traditional thinking has been successfully challenged. Sharelink, the telephone share dealing service majority owned by BT which is now one of top three retail brokers in the UK, was the brain child of David Jones, a technology manager with no previous experience of broking.

"He set it up like a factory production line – he's done a very good job," says one admiring competitor.

Another area which has proved susceptible to new thinking has been that of back office operations, where disciplines learnt in the high volume business of commercial banking have been used to great effect.

The second noticeable change has been the switch in remuneration policies. As competition for staff has dwindled, the various golden incentives have vanished. Also, most firms have tinkered with new ways of paying by results. There has been a general shift away from using narrow profit centres to assess performance. Some successful banks, such as Warburg, avoided rigid bonus formulae from the outset and instead retained discretionary bonus arrangements. "From time to time, people have talked about using a divisional or global scheme. But we don't want a formula," says Lord Cairns, Warburg chief executive.

There has also been an attempt to bring back an equity incentive to the broking business, with mixed success. While Barclays de Zoete Wedd recently bought out the minority equity stake owned by its staff, the managers of firms like Hoare Govett and Capel Cure Myers have been striving to regain a degree of equity interest in their businesses. Both could come unstuck: they have both been put up for sale by their parents, leaving their managers with the prospect of giving up their part-ownership.

The third change has been to systems. Piecemeal systems developed after Big Bang are being drawn together as senior managers demand better information to help them control the risks in their organisations. Technical development still lags behind, however.

Fourth, organisational structures have been transformed as new trading areas have gradually been brought together. In the early days after Big Bang, the component parts of the new investment banks were left alone to trade as they had in the past. But integration has slowly taken over. Part of the reason has been the need to search for economies of scale and the need to reduce duplication. In some banks, says Andrew Davies, a consultant at Touche Ross, "you could find five different people trading the same instrument. They just can't afford to do that." The result has been the bringing together of the various treasury and capital market desks to form central trading units.

Organisational change is also slowly breaking down the barriers between trading, advisory and other areas within banks. Two examples demonstrate the changes now taking place.

A year ago, Warburg created a new management structure to draw together the management of its securities and corporate finance operations. And Barclays has drawn BZW, widely seen as the second most successful creation of the Big Bang era, into its main divisional structure, to create a new markets and investment banking division.

All these changes will be of little use, however, if they don't bring greater profits in their wake. That is the one continuing problem from which the City has yet to free itself: the overcapacity in its securities markets, which will only be solved when more banks reverse their steps, pack up their bags and leave.

Working women often complain about the way in which men use "the Old Boys' Network" to advance their careers.

Learning lessons from the Old Boys

Sarah Webb and Robert Rice report that the girls are also getting together

Excluded from the mens' clubs, they have started their own. Through such networks, women can make useful contacts or get new jobs. They can take cut-price courses on assertiveness or public speaking. They can even go wine tasting or test drive a Porsche.

"Women do not have a forum or place to meet, whether with other women or with men, whereas men have their Rotary Club, Round Table, or the pub," says Christine Freshwater, chairwoman of the City Women's Network. She believes that many professional women have serious problems in building up the the business contacts they need for their jobs.

The idea of womens' networks is not new – female solicitors have been networking for nearly 70 years. Today the Association of Women Solicitors is one of the biggest in the country. It has more than 5,000 members who meet to discuss everything from developments in company law to pooling child care.

New networks for women are springing up in many professions, from entrepreneurs, pilots, managers, bankers, teachers and public sector workers. Networks can be helpful in finding jobs for the girls. The City Women's Network has several headhunters among its members who can be approached for advice on career moves. Freshwater, who is a partner at accountants Chantrey Vellacott, says that when her company was looking for a market researcher, she was able to use contacts at City Women's Network to supply one.

Women in Banking has also provided useful business contacts for its members. Fiona Price, who runs a company that gives financial advice to women, was approached by a member needing help with severance terms – she had just been made redundant by one of the clearing banks. The story ended happily: the member got a new job through friends in the network.

Other women join a network with less tangible gains in mind. "Some simply want professional support in building their careers in a male-dominated field; they want to talk to serious women because they find they are alone in their working environment," says a member of Women in Banking.

Women in the City professions frequently complain that their male colleagues exclude them from "informal networking" over a drink after work, and have joined their own networks in protest.

"The best networking is a combination of planned contacts and chance encounters," says Yvonne Sarch, in a recent book "How to be Headhunted". "Join clubs, go on committees, attend associations, whenever invited to something – go, circulate when you are there, follow up contacts, give reciprocal help when possible, share information, and keep in touch."

Not everyone is in favour of using an organised women's network to build up useful contacts. A female analyst at one of the large securities houses believes that there is no need to join an organisation: "I think women in the City tend to build up their own contacts," she says.

Another woman who sells shares for a large City house says: "When I'm in the City I tend to think of myself as a proxy man – I don't want to be involved in a women's network because I think it is a mistake to draw attention to the fact that you are a woman".

There are other dangers in networks. Sarch, warns: "Someone may pester you, try to sell you something or to use your contacts for his or her own ends. Cross such people off your lists."

In the longer term, successful networks will probably be broader, moving themselves out of the ghetto of womens issues.

Women at work

"We are trying to get away from the 'thirty-something, two kids, trying to pursue a career' image," says Rhiannon Wynn-Jones, the head of the Association of Women Solicitors. "We are trying to promote flexibility in careers and we question whether it is right for solicitors, both men and women, to work flat out all the time."

FLEMING FLAGSHIP FUND
SICAV
45, rue des Scillas
Luxembourg-Howald
R.C. Luxembourg B 8478
NOTICE

Notice is hereby given that an extraordinary general meeting of shareholders will be held at the registered office of Fleming Flagship Fund on 10th December, 1991 at 3 p.m. in order to resolve on the following proposed amendments to the Articles of Incorporation:

1) Amendment of the first sentence of Article 10 by replacing the word "October" by "November".

2) Amendment of paragraph 4 of article 21 to read as follows:

"The Company may also suspend the subscription, redemption and switching of Shares or anyone class of Shares after giving 30 days prior notice, if the total of the net assets attributable to such class of Shares is reduced to less than U.S. Dollars 2,500,000 or its equivalent amount in other currencies as appropriate. In such case the board of directors may decide to redeem compulsorily all shares of such class".

3) Amendment to sub-paragraph (i) and (ii) of the valuation rules contained in article 23 adding at the end of paragraph A the following sub-paragraph:

"The board of directors is entitled to deviate from the valuation rules set out in (i) and (ii) above in valuing the assets attributable to any given class by adding to the prices referred to in (i) and (ii) above an amount reflecting the estimated cost of the acquisition of such assets in the event the board of directors expects further investments to be made on behalf of such class, or by deducting from the prices referred to in (i) and (ii) above an amount reflecting the estimated cost of the disposal of such assets, in the event the board of directors expects investments attributable to such class of Shares to be sold."

4) Deletion of article 25.

5) Amendment of the last paragraph of article 27 to read as follows:

"The general meeting of shareholders or the board of directors, duly authorised, may decide to make distributions by allocation of additional Shares. The board of directors is further authorised, in lieu of the payment of dividends, to attribute Shares of the same class to, or to make payment of such dividends to a third party for the purpose of reinvesting such amounts by subscribing for further Shares of the same class for the benefit of, such registered shareholders who otherwise would be entitled to payment of smaller amounts, which, in the opinion of the board of directors, might be substantially reduced by bank charges."

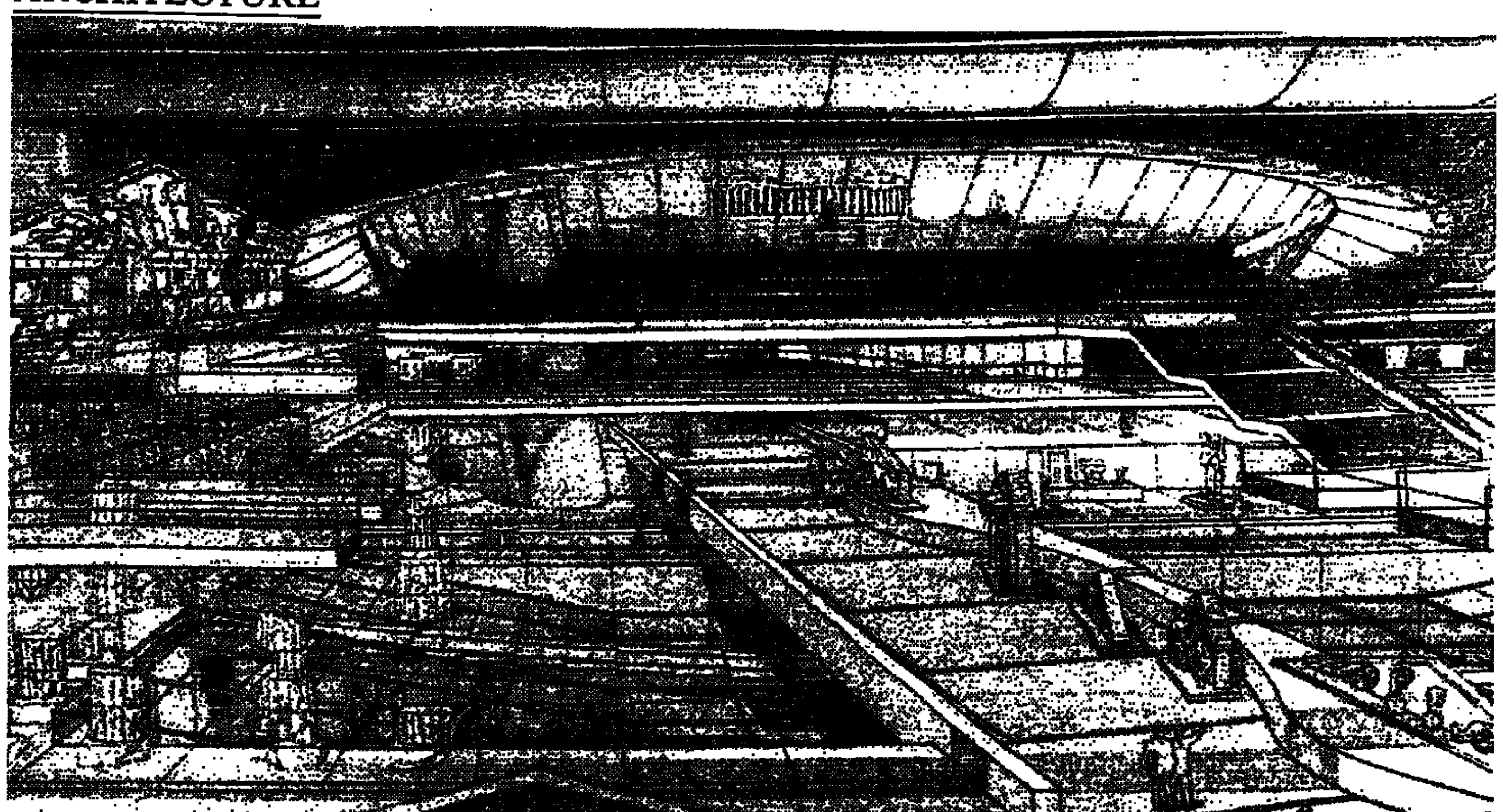
Shareholders are advised that at an earlier meeting convened for the 31st October, 1991 for the same purpose the quorum required was not reached. No quorum will be required for this extraordinary meeting. To be valid, resolutions must be carried by a majority of two thirds of the Shares represented at the meeting.

Holders of bearer shares should deposit their share certificates with Kredietbank S.A. Luxembourgeoise, 45, boulevard Royal, Luxembourg, or Robert Fleming & Co., Limited, 25 Copthall Avenue, London, five days prior to the general meeting. Proxy forms are available a the Registered Office of the Company on request. In order to be valid, proxy forms should reach the Registered Office of the Company at the close of business on the day prior to the general meeting.

By order of the Board of Directors.

ARTS

ARCHITECTURE



This winning design of Manfredi Nicoletti and Lucio Passarelli for the new Acropolis Museum at Athens is on show at the Royal College of Art (to November 10), with most of the 437 other entries from 26 countries. The architects' daunting task was to design a building on a site near the Acropolis that could hold its own against the Parthenon, and show the sculptures now inadequately housed in the present museum.

The site the Italians have chosen is the parade ground of the old Makriyianni barracks, at the foot of the Acropolis, opposite the Theatre of Dionysos birthplace of drama. Their modernist cantilevered box creates a huge space like the atrium at the bottom of the Pompidou Centre in Paris, where visitors will see the Parthenon sculptures at eye level and looking up at them as they were designed to be seen in the 5th century BC.

The pieces will be placed as they were on the building, leaving gaps for "the sculptures currently displayed outside Greece", Greece's Minister of Culture, Anna Benaki, said at the opening this week.

Gerald Cadogan

Getty's acropolis: any colour but white

Producing the plans for the world's most ambitious fine art museum and all its associated research and conservation activities has been a long process. Richard Meier was selected as the architect for the Getty Centre as long ago as 1984, a year after the J. Paul Getty Trust purchased the 110-acre site in the foothills of the Santa Monica mountains in west Los Angeles.

Meier's final plans were recently unveiled in Los Angeles and New York, and now that the long awaited planning approvals have been received from the Los Angeles Planning Commission, construction will begin at once. The Getty Centre will open in 1996.

There is no doubt the Getty Centre – more than 900,000 sq ft of architecture in six low buildings set in a 24-acre garden landscape – will be the apotheosis of Meier's style. He has made the vocabulary of cubism into a linear and spatial system that is the consummation of modernism. The Getty Centre is a new acropolis dedicated not simply to the pleasures of art but to the serious business of art history.

The result of the years of briefing and designing is a restrained exercise that has not taken Meier into a new dimension. Instead, the limitations of the site (a 45ft height limit), a shortage of water, and a refusal by the locals to let Meier use too much of his favourite colour, white, has told on the series of pavilions informally scattered over the only 24 acres of the 110 on which Meier was allowed to build. Meier's earlier museum buildings,the High Museum of Art in Atlanta and the Museum for the Decorative Arts in Frankfurt are present here but in a more complex and less formal way.

Because of the munificence of J.Paul Getty's original gift the Trustees feel an obligation to do more than simply build a museum. All the activities currently spread around Los Angeles will be housed on the new campus nestling round the museum. The Getty Centre for the History of Art and the Humanities, the Getty Conservation Institute, the Getty Art History Information Programme, the Getty Centre for Education in the Arts, and the Getty Grant programme, will occupy six buildings. Of all these the pavilionised museum is the most interesting and the circular Centre for the History of Art the most bizarre and possibly the most architecturally exciting. It is very hard to judge from the models, but initially any magic feeling that this may be the eighth wonder of the civilised world is strangely missing.

Colin Amery

The winner of the 1991 Financial Times Architecture at Work award will be announced in the paper tomorrow.

The Thebans

SWAN THEATRE, STRATFORD-UPON-AVON

Aristotle has always been right: "the structure of events, the plot, is the goal of tragedy, and the goal is the greatest thing of all." This is why Sophocles' Theban plays (*Oedipus Tyrannos*, *Oedipus at Colonus* and *Antigone*) have survived the trivialising treatment of Adrian Noble's direction at the Swan Theatre. When these plays are pared down to their essentials, they will make exhilarating theatre; for the acting is superb, and the staging, music and dance powerful.

Seeing Sophocles or Aeschylus should be a rigorous workout for the mind, mental exercises in encountering those things which simply do not cross our daily lives. Their tragedies can work with or without movement on stage. The quality is clear from the text: what counts are plot, argument and verbal expression. The best production of *The Thebans* should be minimal, trusting to the text.

The design of this *Thebans* is its biggest flaw. One should not look for any and every pleasure from tragedy, only those appropriate to it. Large balloons (representing Apollo, Artemis, Poseidon and Dionysus) which float above the stage, galleries decked with sunflowers, green fairy-lights, floral bouquets and party balloons hanging as bunches of grapes: these trappings are simply not Sophoclean. They are the visual equivalent of saying that the moral of *Oedipus* is that one should avoid killing old men in traffic accidents and steer clear of marrying women old enough to be one's mother.

The second flaw is Timberlake Wertenbaker's version. Its unevenness implicitly recognises that Sophocles wrote these plays far apart (*Antigone* in 442, *Oedipus Tyrannos* in 427, and *Oedipus at Colonus* just before 405 BC). But the translation, particularly of *Oedipus Tyrannos*, fails to imitate the sinewy strength and flat violence of Sophocles' Greek (Tony Harrison's 1982 *Oresteia* successfully used Anglo-Saxon brutalities struck like flint from an implacable modern English). The gentler redemptive lyricisms of *Oedipus at Colonus* and the clearer argumentative certainties of *Antigone*, however, are better handled.

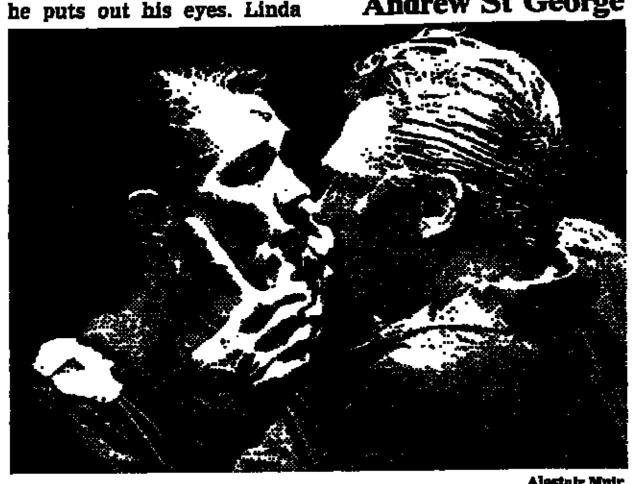
The masked chorus is intelligently choreographed, supported by the flute, lyre and percussion score of Ilona Sekacz. There is ancient Greek pronunciation ("Oydipous"), and singing in Greek. The chorus acts not as an intermediary but as an ideal member of the audience. It positions itself in white boxes behind the audience and waits, rather like game-show contestants, to interrupt with an apt insight. At Colonus, the chorus of fat, hamster-cheeked old men creates a visual distraction, right down to the William Morris leaf print on their country smocks.

The great strength of the production lies in its principals. The actors realise that Sophocles cuts straight to the chase without pleasantry or warm-up; he expects issues and information from the start. Gerard Murphy as Oedipus carries the action and drives the plot forward in the rational frenzy to know more. He acts with power and presence, blood-bolted and terrible when he puts out his eyes. Linda Marlowe as his wife, Jocasta, is a study in horrified pain, calmly unpacking the horrors of the plot as she finds she has borne her son's children.

Clifford Rose as the blind prophet Tiresias delivers vatic truths lucidly – "You are the murderer you seek" – and his messenger's account of Oedipus's death is commensurate with one of the most moving speeches in drama. As Antigone, Joanne Pearce excels, moving powerfully against John Shrapnel's flinty if unsympathetic Creon in the play's debate between the principles which underpin personal and public action.

Sophocles wrote for the Athenian *polis*, a gathering as much political as social or recreational, during the festival of Dionysus. Greek purists should want *The Thebans* to bring out the background issues of Athens-Thebes foreign relations, of exile, and of political power more than it does. But after the wrecking of institutions and the rending of families throughout a full five and a half hours in the theatre, the simple truth about Greek tragedy persists: it is not about design or staging but about action. Those who participate in it are happy or unhappy in accordance with what they do.

Andrew St George



Alastair Muir

Linda Marlowe and Gerard Murphy in The Thebans

Rattle and Brendel

BARBICAN HALL

After five months going to concerts in other halls around the world, it is not much of a pleasure returning to the Barbican. The visitor is met by an unwelcoming barrage of sound, which makes the ears recoil at its volume and the brow furrow as one tries to sort out the congested message that these acoustics are sending to the brain.

It would be a temptation not to go there at all if the programmes did not so frequently demand attention. Friday's concert, given by the City of Birmingham Symphony Orchestra under Simon Rattle, imposed itself as an important event. It brought two major works by living composers, one new, the other new-ish, though Henze's Seventh Symphony was surely not getting its UK premiere, as stated.

This work claims to be a real symphony in the accepted sense of the term, unlike its six predecessors. It has four movements, after the standard romantic symphony, and opens with a sonata-form first movement. But apart from these outward features it rarely seems to me to argue its case as a symphony should.

There are some beautiful passages, where one senses the sultry heat of a Mediterranean night permeating the textures, as rich string harmonies create a close, airless warmth overlaid by the glowing percussion of xylophone and vibrophone, harp and piano. But the climaxes sounded thick and overwritten in these acoustics, while the musical argument rarely seems to progress anywhere. It is a symphony for the hedonist rather than the musical thinker.

To open, Mark-Anthony Turnage's *Momentum* set out to assault the senses and in this hall it succeeded. This is music of the post-Britten era, sometimes recalling the ideas of the older composer, but transferred to a new and aggressive urban environment. The opening fanfare for brass and saxophones was splendidly ferocious. Turnage offers street-wise music which knows where it is going and gets there with punch and style.

In the unenviable position between these two 20th-century ear-shatterers came a performance of Beethoven's Fifth Piano Concerto which more than held its own. Alfred Brendel launched into the solo part with a fireball momentum that swept all before it, supported every inch of the way by Rattle and his CBSO players. I have never previously thought of the "Emperor" as an exciting concerto, but it was so here. Perhaps having the piano lid off, as several players have done recently, really does help in this hall.

*

The evening before Cecile Ousset had kept the lid on for her performance of the Ravel G Major Piano Concerto with the London Symphony Orchestra under Paavo Berglund, and the result was a much more subdued affair, with mostly soft and dulled colours coming from the piano.

Between them, I thought Ousset and Berglund took the concerto a shade too deliberately throughout. In the slower music they were never quite cool and fastidious in the Ravel manner; while the finale was a case of Ousset getting the notes exactly and impressively in place, rather than sparking life out of them. But the latter half of the slow movement was beautifully played, hazy and hypnotic, as if in a private dream-world.

Berglund and the LSO also offered a pair of symphonies: Sibelius's Fifth and Shostakovich's Sixth, both prime Berglund territory, their emotions convincingly writ large, supported by sturdy and decisive playing on the part of the orchestra.

Richard Fairman

SPONSORSHIP

Packages of prizes for the givers

Prize day fast approaches. On November 25 at the National Theatre the Duchess of Kent is presenting the ABSA/ Daily Telegraph Awards to companies whose sponsorship of the arts in 1991 is reckoned to have been exceptional.

You may remember that a year ago an event that had become an occasion for back-slapping and mutual admiration was galvanised by an attack by Lady Harlech, chairman of the judges, on "corporate rottweilers", consultants who feed off the arts, and the subsequent withholding of the award to the corporate sponsor of the year.

No such indiscretions can be expected this year. Indeed the Prudential, which was reckoned to have lost out in the fracas, could step up to the rostrum for the New Art in any Medium prize, in recognition of its annual award which gives the winning arts organisation £100,000 to invest in a new work.

Since gaining an "ABSA" offers one of the few tangible returns to companies who back the arts, the Association for Business Sponsorship of the Arts likes to add fresh prizes to encourage sponsorship in new areas. In recent years, awards for British Arts Overseas and Arts and the Disabled have been introduced.

Contenders for the former this year include Guinness and Nomura for helping the Royal National Theatre's European tour, and United Distillers, for easing Scottish Ballet abroad. The latter category still attracts few entries, but Sola Glass, which has made visiting Bristol Museum more pleasurable for the disabled, is a possible winner.

There are two new prize categories this year – one for long term sponsors, perhaps geared towards companies who have stuck with the arts without receiving the public recognition they deserve, and another for small businesses. Contenders for longevity include BP, Royal Bank of Scotland and Sainsbury, who have all enjoyed ample thanks, and Whitbread and Nomura, who may have slipped through the net on past occasions. Nomura has picked up brownie points for its future commitment, especially its support for the Museum of London.

The type of winner for the small business award could be Banbury Plastics, which helps Banbury Museum, or Hodgson's China & Glass, which backs the Sans Centre in Carlisle, both small local firms helping small local arts institutions.

Among the contenders for the corporate award must be British Gas, Digital, (already a three-time winner), Lloyds Bank and Citibank. For Arts and Urban Regeneration, the long time commitment of English Estates, last year's winner, comes up against the likes of Grosvenor Waterside, which has done its bit to smarten up Cardiff Bay.

The Youth award finds heavies like Nat West, Sainsbury and the Woolwich (with its young playwrights competition) slogging it out, while the best single arts project has strong competition from the National Power Piano Competition; Mercury (and The Independent) for the Pop Art show at the Royal Academy; and Tate & Lyle's help for the *Friends of the Tate*.

The first time sponsor prize is always wide open but Kiaora fancies its chances, with its backing for the Polka Children's Theatre, as does Greenwoods Solicitors, which aided the touring exhibition, *Shared Earth*, a green show which includes the work Andrew Goldsworthy, who makes leaf sculptures in the river near his Dumfries home and then photographs them.

Goldsworthy has also been sponsored directly by ABSA. He was asked to illustrate its forthcoming annual report. ABSA is trying hard to ensure that business includes the arts when it fixes its social responsibility budgets. There is a danger that companies will switch conscience money from the arts to green causes. The aim is to persuade them to adopt the British Gas approach which sees the two as complimentary, indeed as integrated. British Gas has just funnelled £500,000 (out of a total budget of £10m) into the National Trust, but it is still keen on arts sponsorships, ideally arts activities with a green tinge.

★

Champagne and the movies have always had a symbiotic relationship, so it is no surprise that Piper Heidsieck should finally get around to sponsoring the London Film Festival, which opens with a gala evening on Wednesday.

Piper Heidsieck claimed its first screen credit in 1935 when a thirsty Laurel and Hardy downed the marque in *Sons of the Desert*. The champagne you see guzzled at the Academy Awards in Hollywood, at the post-Oscar celebrations, and at film festivals in Cannes, Venice, Berlin and more, is Piper, which has recently moved from brand placement on the screen to a direct promotional slant, concentrated on festivals.

All told, Piper is investing £2m globally over the next three years in film sponsorship. Backing London with cash, as well as champagne for the gala, gives the Film Festival a seal of approval, and next May Piper will announce another initiative, linked to the British Film Institute.

★

In an imaginative sponsorship, Technics, the hi-fi company, is paying the recording costs of a previously unrecorded musician. The venture will cost around £20,000. The winner, chosen by John Drummond, head of Radio 3, will be announced at The Gramophone Awards in London on November 18, which are also being supported by Technics.

Antony Thorncroft

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

■ AMSTERDAM

Concertgebouw 20.15 Ronald Kieft conducts the Netherlands Philhramonic Orchestra in music by Berlioz, Saint-Saens, van Otterloo and Dukas, repeated tomorrow in Amsterdam and on Wed and Thurs in Utrecht. In the Kleine Zaal tonight and Thurs, the Borodin Quartet plays string quartets by Shostakovich. Wed and Fri: Julliard String Quartet. Thurs, Sat and Sun afternoon: Valery Gergiev conducts the Royal Concertgebouw Orchestra. (6718 345)

Muziektheater 20.00 Hans-Martin Schneidt conducts Johannes Schaaf's production of Fidelio, set in a Middle Eastern internment camp. The cast includes Josephine Barstow, Thomas Moser and Hans Tschammer. Runs till Nov 28, with next performances on Thurs and Sat. Tomorrow and Wed: Nederlands Dans Theater in a Mats Ek programme (6255 455/credit card bookings 6211 211)

■ BARCELONA

Gran Teatre del Liceu 21.00 Uwe Mund conducts Emilio Sagi's production of Idomeneo, with a cast led by Gosta Winbergh, Susanne Mentzer and Marie McLaughlin. Runs till Nov 14, with next performances on Thurs and Sun (412 1466)

■ BERLIN

MUSIC AND DANCE

Staatsoper unter den Linden 19.00 Egon Bischoff's production of Swan Lake, also Thurs. Tomorrow: Yehudi Menuhin conducts the Berlin Staatskapelle. Wed: Der Rosenkavalier. Fri: Entfuhrüng. Sat: Tannhäuser. Sun: Madama Butterfly (East Berlin 2004 762)

Deutsche Oper 20.00 Heinrich Hollreiser conducts Der fliegende Holländer, with a cast led by Sabine Hass and Simon Estes. Tomorrow: Peter Schaufuss' production of La Sylphide. Wed and Sat: Don Giovanni. Thurs and Sun: Tosca with Grace Bumbry and Neil Shicoff. Fri: Rigoletto (West Berlin 3410 249)

Schauspielhaus 20.00 Georg Christoph Biller conducts the Berlin Sinfonietta in music by Bartok, Mozart and Haydn. Wed and Thurs: Daniel Barenboim conducts the Berlin Philharmonic Orchestra. Fri: Andrei Gavrilov piano recital. Sat: Colin Davis conducts the Dresden Staatskapelle (East Berlin 2272 261)

THEATRE

East Berlin: the Volksbühne has a new production of Chekhov's On the High Road directed by Horst Hawemann, first night on Sat, also on Sun (282 3394). This week's repertory at the Berliner Ensemble includes a Brecht evening tonight entitled Love and Revolution, followed by Galileo Galilei tomorrow and Sat, The Threepenny Opera on Wed and Fri and Schweyk on Thurs (2827 712). The Deutsches Theater has Goldoni's The Servant of Two Masters tomorrow, Peer Gynt on Wed and Kleist's The Broken Jug on Sat (2871 225), with a new single-evening production of the Henry IV plays at the Kammerspiele on Sat (2871 226). The Maxim Gorki Theater has T.S. Eliot's The Cocktail Party on Thurs, Shakespeare's As You Like It on Fri and Peter Shaffer's Amadeus on Sat (2082 748).

West Berlin: the Schaubūne has Luc Bondy's production of The Winter's Tale tonight and Sat, with Kleist's Amphitryon tomorrow and Wed (890023). The Schiller Theater has Lessing's Minna von Barnhelm on Thurs and Sun (3195 236).

■ CHICAGO

Orchestra Hall 19.30 Chicago Symphony chamber series: Brahms' Carinet Trio, Mozart's Piano Quartet K493 and others. Fri: Christopher Hogwood conducts the Academy of Ancient Music in music by Mozart and Haydn (435 6666)

Civic Opera House 19.30 Donato Renzetti conducts Chicago Lyric Opera production of I Puritani, staged by Sandro Sequi in designs by Ming Cho Lee and Peter J Hall. The cast is led by June Anderson, Chris Merritt, Paolo Coni and Dimitri Kavakros. Repeated on Thurs and Sun. Sat: Bruno Bartoletti conducts Liviu Ciulei's production of Prokofiev's The Gambler (332 2244)

■ GENOA

Teatro Carlo Felice 21.00 Myung-Whun Chung conducts the Orchestra of La Scala, Milan, in Haydn's Symphony No 44 and Berlioz's Symphonie Fantastique. Wed, Fri and Sun: Il trovatore with Raina Kabaivanska as Leonora (589329)

■ LONDON

Royal Festival Hall 19.30 Klaus Tennstedt conducts the London Philharmonic in Mahler's Sixth Symphony, repeated on Thurs. Tomorrow: Ashkenazy conducts the RPO. Wed: Murray Perahia and the ASMF. Fri: Bryden Thomson conducts the LPO. Sat: David Willcocks conducts choral works by Bliss, Bax and Elgar. (071-928 8800)

Barbican 19.45 Rostropovich and friends: an evening of chamber music by Prokofiev and Myaskovsky. Tomorrow: Takacs Quartet. Wed: The Mikado. Thurs: Nash Ensemble plays Prokofiev. (071-638 8891)

Royalty Theatre 19.30 Northern Ballet Theatre production of Romeo and Juliet directed by Christopher Gable, choreography by Massimo Moricone. Daily till Sat (071-494 5090)

■ MILAN

Teatro alla Scala 20.00 Mischa Maisky and Martha Argerich in music by Beethoven for cello and piano. Thurs, Fri, Sat: Georges Prêtre conducts the Orchestra of La Scala in music by Richard Strauss, Ravel and Faure (7200 3744)

■ NEW YORK

Carnegie Hall 20.00 Neeme Jarvi conducts the Detroit Symphony Orchestra in Arvo Pärt's Cantus in Memory of Benjamin Britten, plus Ives' First Symphony and Sibelius' Violin Concerto with Nadja Salerno-Sonnenberg. Wed: Prague Symphony Orchestra (247 7800). Tomorrow in Avery Fisher Hall: Claus Peter Flor conducts the New York Philharmonic (875 5030)

Metropolitan Opera 20.00 Rico Saccani conducts Aida, with a cast led by Aprile Millo, Dolora Zajick, Nicola Martinucci and Barseg Tumanyan, also Fri. Tomorrow and Sat afternoon: Die Zauberflöte. Wed and Sat evening: L'elisir d'amore. Thurs: Cosi fan tutte (362 6000)

■ PARIS

Théâtre des Champs-Elysees 20.30 Mark Morris Dance Group in Purcell's Dido and Aeneas. The title roles are sung by Della Jones and Stephen Varcoe, and danced by Mark Morris and Guillermo Resto. Repeated tomorrow, Wed and Thurs (4720 3637)

Châtelet 19.30 Eliahu Inbal conducts Satie's Parade, Poulenc's Les Mamelles de Tiresias and Ravel's L'enfant et les sortileges, in the John Dexter/David Hockney production first staged at the Met in 1981. Restaged by Max Charruyer with choreography by Gray Veredon, repeated on Wed and Fri. Tomorrow and Thurs: song recitals by Thomas Allen and Francisco Araiza (4028 2840). Andrei Serban's production of Prokofiev's The Fiery Angel opens at the Opéra Bastille on Wed (4001 1616)

■ VIENNA

MUSIC: Staatsoper 19.00 Berislav Klobucar conducts Arabella with a cast led by Karen Huffstodt and Bernd Weikl. Tomorrow: Tosca. Wed and Sat: Cosi fan tutte. Thurs: Rusalka. Fri: ballet evening. Sun: Don Giovanni (51444 2960)

Musikverein 19.30 Robert Holl joins the Zagreb Soloists in a programme including Bach's cantata Ich habe genug. Wed: Mischa Maisky and Martha Argerich. Thurs: Jose Carreras sings songs by Berio. Fri: Michael Gielen conducts the Austrian Radio Symphony Orchestra. Sun: Harnoncourt conducts Mozart. Christoph von Dohnanyi conducts this week's Vienna Philharmonic subscription concerts (Fri and Sat at 15.30, Sun at 11.00), with Gidon Kremer violin soloist (505 8190)

Konzerthaus 19.30 Pekarski Percussion Ensemble plays music by Birtwistle, Schnittke and others. Tomorrow: Theodor Guschlbauer conducts the Strasbourg Philharmonic Orchestra. Wed: Adam Fischer conducts the Budapest Philharmonic in Schnittke's First Symphony. Fri: Vienna Chamber Orchestra plays Mozart (7124 6860)

THEATRE

This week's repertory at the Burgtheater includes The Merchant of Venice on Fri, Kleist's Penthesilea on Sat and Hugo von Hofmannsthal's Der Schwierige on Sun. The Akademietheater has Botho Strauss' Schlusschor on Sat and Sun, in a production directed by Hans Hollmann (51444 2218)

Telephone sales of tickets for the Staatsoper and Burgtheater are available worldwide for holders of credit cards by ringing Vienna 5131 513

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

Eurosport
0800-0830 International Business report

CNN
0730-0800 Moneyline
1230-1300 Business Morning
1330-1400 Business Day
2000-2030 World Business Today – a joint FT/CNN production with a review of business stories
2300-2330 World Business Today
0100-0130 Moneyline

Superchannel
2130-2200 (Tues) East Europe Report – weekly financial report from FTTV.
2130-2200 (Wed) FT Business Weekly - the latest round-up of business news with James Bellini and Debbie Middleton.
2130-2200 (Thurs) Talking Heads

Sky News
1200 International Business Report
1130, 1730, 2130, 0430, 0530 (Thurs) FT Business Weekly

SATURDAY

CNN
0730-0800 Moneyline
0900-0930 World Business This Week - a joint FT/CNN production
1540-1610 Moneyweek
1900-1930 World Business This Week
2110-2140 Your Money

SUNDAY

Superchannel
1800-1830 FT Business Weekly

Sky News
1330, 1630, 2030, 0030, 0230 FT Business Weekly

CNN
0710-0740 Moneyweek
1340-1400 Inside business
1540-1610 Your Money
1800-1830 World Business This Week
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Monday November 4 1991

Last stand of the Gatt

THERE IS no small chance that the five-year-long Uruguay Round of multilateral trade negotiations will fail. This is not because the world's leaders believe it to be unimportant. Nor is it because going the extra mile is insuperably difficult. It is rather that they shirk the unpopularity and prefer to be diverted by the exigencies of the moment.

Yet the framework of liberal trade is at stake. This framework, not spending on armaments, enabled the west to win the Cold War; it, not a now non-existent international monetary regime, has underpinned the western world's prosperity; and it, not development assistance, gave the most dynamic developing economies their chance. The Gatt may be technical. The Gatt may even be obscure. But it determines the livelihood of billions.

Some suggest that regional trading blocs are the easy and the obvious alternative. But they could not replace the Gatt. Almost 40 per cent of total merchandise trade is between Europe, the Americas and Asia. If the special case of trade within Europe (which accounts for 38 per cent of world trade) is excluded, two-thirds of world trade is between regions, not within them. Is all this to be sacrificed to the false god of regionalism? If not, how is such trade to be governed without the Gatt?

Mr Arthur Dunkel, the Gatt's long-suffering director-general, has argued that November will be the make or break month for the round. He also asked the chairmen of the negotiating groups to come up with draft agreements by the end of October. True to form, they failed. They failed because nobody was prepared to make final concessions elsewhere until decisive progress had been made on agriculture, which remains the key to unlocking the round.

Potential gains

Agriculture accounts for only 13 per cent of world merchandise trade, too little, some might argue, to hold the trading system to ransom. But agriculture matters because of the number of countries that depend on agricultural exports. It also matters because of the potential gains from liberalisation, clearly revealed in the OECD's estimate that subsidies to industrial country producers amounted to $176bn in 1990.

Negotiations on agriculture between the European Community and the US are, it appears, seriously joined. Further high level meetings in early November will clarify whether a recently announced shift in the German position gives EC negotiators the freedom of manoeuvre they need.

Fundamental re-design

Both sides can – and must – move. In its internal discussions the EC has already accepted that the common agricultural policy must be fundamentally redesigned. Meanwhile, the US knows that immediate liberalisation of the obstacles to free trade in agricultural commodities is not practical politics. What is needed is a good start, with a commitment to go further.

Agreement on agriculture would not end the round. Important controversies remain, not least over the need for the EC and the US to accept that their anti-dumping policies are protectionism under the guise of fair trade. But, with agriculture agreed, nobody would dare to allow the round to fail.

If agreement is to be reached, it needs to be reached quite soon. This is partly because ennui is setting in. But it is also because of the election campaigns coming up, above all in the US. If a final package is to go to legislators early next year, it must be agreed this year. Given the EC's summits on economic, monetary and political union in early December, November is, indeed, the month.

On two men rests the outcome: the president of France and the chancellor of Germany. Mr Kohl must make clear that French resistance to a change in the EC position will not gain his continued support, in which case Mr Mitterrand can gain the plaudits due to the concessions that save the Gatt. If the needed action is not forthcoming, Mr Major, as chairman of the group of seven industrial countries, should call the summit promised last July. This may be unpopular, but the cause is worth the unpopularity.

Making local taxation work

THE SHAPE of the UK's new council tax became clearer on Friday with the publication of the Local Government Finance Bill. The environment secretary, Mr Michael Heseltine, has made changes to his original proposals in the light of submissions from the professionals who have to make the new tax work. But many of their reservations about his proposals remain unresolved, in some cases inexplicably so.

The council tax will certainly prove more acceptable than the poll tax, not least because it will be seen as fairer. Liability is related to the capital value of the taxpayer's home, providing a rough and understandable link with ability to pay. The restoration of 100 per cent rebates removes the impression of vindictiveness created by the requirement that even those on the very lowest incomes should pay something in poll tax. And there is much less scope for the evasion which undermined the legitimacy of the poll tax, since the tax is levied on fixed property, not mobile people.

Mr Heseltine originally proposed to group all households in seven nationally-determined property bands, with similar properties assigned to a single band en masse. Such broad bands were designed to avoid the need for a bureaucratic appeals procedure, or the regular revaluations which made rates so unpopular. But the choice of just seven bands – with all homes worth more than £160,000 paying the same amount of tax – made the tax look insufficiently progressive.

Eighth band

Mr Heseltine has added an eighth valuation band, so that houses in England worth more than £320,000 will pay more than those worth between £160,000 and £320,000. While this will have a marginal impact on the distribution of the burden, it improves the perception of progressivity which is important to acceptance of the council tax.

He has also recognised that banding does not do away with the need for an appeals procedure. Given that moving down one valuation band could save as much as £90 a year in council tax, the incentive to appeal will be considerable. The Bill includes an appeals system based on the old rating tribunals, though the prediction that only 175 extra staff will be needed for appeals is probably optimistic.

Changing values

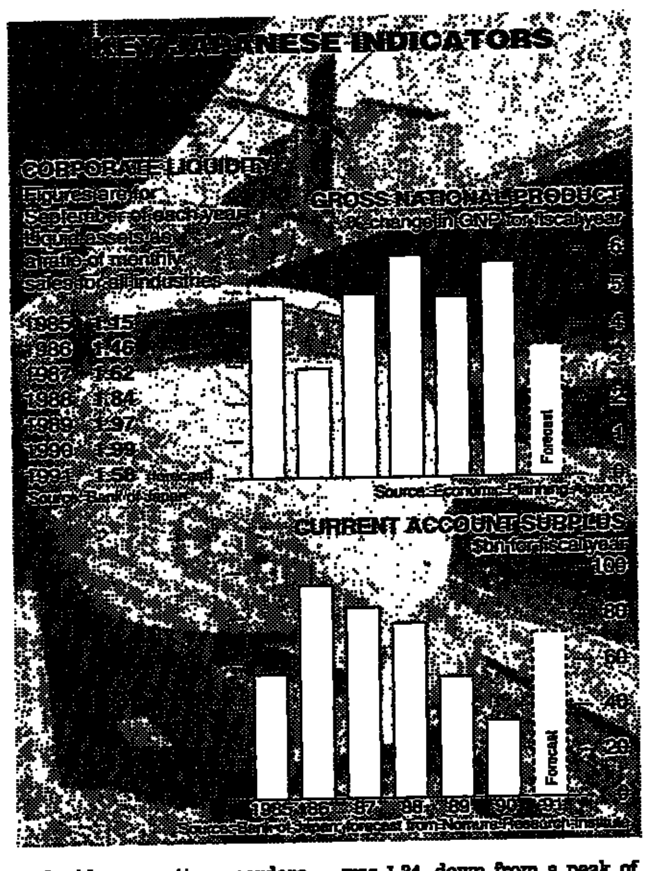
The draft legislation also allows for revaluation of properties where significant changes in value occur either to individual homes or to entire areas (a need pointed out in many submissions on the original proposals). There is provision for periodic general revaluations, but Mr Heseltine has not adopted the plausible suggestions made by many practitioners for a rolling programme of piecemeal revaluation to avoid across-the-board uprating. The danger is that the experience of domestic rates will be repeated, with valuations increasingly losing touch with reality as governments duck out of politically difficult revisions.

Nor has Mr Heseltine heeded local authorities' concerns over the problems they foresee from the 25 per cent personal discount for single-adult households, the only element surviving of the head tax. Despite his assurances, there is a widespread belief that a register will be required if the tax and the various rebates and exemptions are to be administered equitably. The complications could be reduced, however, if the government moves quickly to publish the many regulations which the Bill specifies. And details of transitional relief and housing benefit rules must be published well before the new tax is launched in April 1993, to avoid the sort of foul-ups caused for the poll tax by last-minute tinkering.

None of these concerns threatens the passage of the Bill, since the government has a secure majority in the House of Commons. But if Mr Heseltine could satisfy their concerns to some degree, local authorities might find the council tax sufficiently acceptable to put pressure on Labour to amend it rather than scrap it. That would save local government from a third upheaval in its finance structure in a short space of time – a prize well worth winning.

Robert Thomson on the pressures facing the Japanese economy

Appearance and reality



The release of each new set of figures charting the slowdown in Japanese economic growth is met by ever-louder complaints from industry that the country has slipped into recession – a Japanese-style recession, with annual growth of less than 3 per cent.

Interim profits are down, money supply growth is weak, cuts in capital spending plans are announced each day and consumer demand is shaky. These trends have blended to produce a bleak picture in the minds of executives and politicians, many of whom had remained confident about the "real" economy even during the dark days of stock market collapse and scandal.

The executives' immediate response has been to demand that the Bank of Japan, the central bank, reduce the official discount rate – the leading indicator of Japanese interest rate policy – from 5.5 per cent to 5 per cent or less, a cut expected to be made in the next few days. The pressure reached a peak late last week when Mr Yasushi Mieno, the bank's governor, addressed industry leaders who described the potential "crisis" facing the Japanese economy.

Politicians are echoing the concerns of industry. Mr Kiichi Miyazawa, who will be installed as prime minister tomorrow, has already announced that he would like an interest rate cut and wants to stimulate the economy with a public works spending package. As finance minister, he presided over a record low 2.5 per cent official discount rate and introduced a public works package in 1987. Not surprisingly, he is popularly seen as the right person to cure Japan's economic ills.

But is the Japanese economy really ailing? And does the cause of this supposed illness lie with the central bank and its tight monetary policy or with Japanese companies themselves? Japan is officially expecting 3.5 per cent growth in gross national product this fiscal year to the end of March 1992, down from 5.7 per cent last year, but still a respectable target. But the general presumption is that actual growth will be about 3.2 per cent for the year and, perhaps, 3.5 per cent next year.

For most countries with mature economies, 3 per cent growth would be more than enough to keep politicians and industry happy. But the expectations of Japanese companies have been heightened by the record profits of the late 1980s, when the stock market was a cheap source of capital, when large retail stores were reporting year-on-year sales growth of almost 10 per cent, and new orders for private construction were as much as 31 per cent higher than a year earlier.

Companies were carried along by the momentum of economic growth, and last year the manufacturing sector increased capital spending by 20.8 per cent. But this investment came after domestic demand had peaked, and only served to widen the gap between corporate expectation and market reality.

Some of the industries now reporting sharply lower interim profits highlight this contradiction. Electronics companies have badly misjudged Japanese consumer demand for products such as televisions and video-cassette recorders, and they have misread industry demand for semiconductors. There is now great overcapacity in the production of memory chips, which can be partly blamed on sluggish international growth, but which is also due to over-ambitious sales forecasts.

The steel industry, whose voice has been among the loudest in calling for a cut in the official discount rate had accepted five years ago that the express era of Japanese growth was over – annual production had fallen below the symbolic 100m-tonne level, and streamlining programmes were initiated. But the "boom" of the late 1980s restoked their steel ambitions, and encouraged sometimes unfocused diversification into the overcrowded computer and semiconductor markets.

Having been cornered by the heads of these industries last week, Mr Mieno, the central bank governor, insisted that the Japanese economy is essentially healthy. He indicated that the recent change most bothering him is the "negative attitude" of Japanese executives, and he hinted that an interest rate cut might come very soon. This is in spite of the bank's concern that the labour shortage imposes constraints on growth and is still a potential source of inflationary pressure. The job offers to applicants ratio in September was 1.34, down from a peak of 1.47 in March but more than double the 1986 figure of 0.62.

A public works spending package could help to restore business confidence. The new leaders of the ruling Liberal Democratic party are suggesting a Y1,000bn (£4.4bn) supplementary budget, which, apart from encouraging growth, would put a down payment on the new administration's popularity.

An increase in infrastructure investment in roads and bridges would suit the US, which had pressed Tokyo to lift spending during the Structural Impediments Initiative (SII) talks on bilateral trade. Japan's finance ministry has resisted domestic and international demands for a spending increase. Now the new domestic push for a spending package has prompted the ministry to feed reports to newspapers of a "budget crisis".

Another US concern is the value of the yen. Washington wants a stronger yen to reduce Japan's rapidly growing trade surplus, reflected in the record monthly increase of $10.9bn for September. The recent Bangkok meeting of finance ministers from the Group of Seven leading industrial nations agreed that the yen should appreciate, and yet the currency could weaken if interest rates come down.

Currency fluctuations are blamed by Japanese companies for their lower profits this year, but at the end of October last year, the yen was at Y129.35 to the dollar, not far removed from the Y130.90 at the end of October this year. A senior economist at a UK securities house suggests that the currency is being used "as an excuse" by executives embarrassed by the fall in profits from the record levels of the past two years.

An appreciation of the yen would in fact mean lower costs for imported raw materials, while one result of the capital spending surge has been to make production less labour intensive and more cost efficient. The Electronic Industries Association of Japan (EIAJ) says that export-oriented companies are not in difficulty at present exchange rate levels, and Y120 to the dollar is still seen as an important psychological barrier.

Meanwhile, the jump in the trade surplus suggests that Japanese manufacturers have not become any less internationally competitive, even if Japanese producers have misjudged domestic demand. Capital spending has improved product quality, and the faint stirrings of economic recovery in the US have encouraged demand for Japanese products.

The total trade surplus will be close to the record $82.7bn of 1986, but there have been important changes that the figures disguise – as a percentage of GNP, the surplus has fallen from 4.3 per cent in 1986 to 1.2 per cent last year, and will be about 2 per cent in 1991.

Raw statistics can also be misleading in several other important areas now under debate. The country's budget "deficit" is a surplus according to Organisation for Economic Co-operation and Development definitions – the finance ministry focuses on the government's general account, which comprises only 30 per cent of government spending and which does not accurately represent levels of revenue. And money supply, which officially expanded by a meagre 2.2 per cent in September, has been distorted by the transfer of bank deposits to postal accounts which fall outside the accepted measure.

However, the raw figures are still cited by industry as proof of "recession", and as evidence that Japanese banks have their hands tied by the central bank's tight monetary policy. The Federation of Bankers' Associations of Japan put the money supply figures at the head of a list of "dark signals" which it said demanded an "early" official discount rate reduction.

The difficulties faced by banks stem not so much from central bank policy as from imprudent lending and concerns about meeting international capital adequacy deadlines. These problems arose during the era of speculative excess in the property and stock markets in the late 1980s which has led to a record level of bankruptcies.

The Bank of Japan insists that the economy is still recovering from this undisciplined period. Corporate Japan is still learning, reluctantly, that money has become more expensive. It is not surprising that growth is slowing, and it is to be expected that the central bank should be wary of Japanese companies wanting to reboard the bullet train.

Art market's cracking glaze

Antony Thorncroft on troubles among London art dealers

"For sale" signs are going up all over Mayfair. For a year the smart end of London's art and antique galleries had whistled bravely through the recession. There were rumours of over-extended dealers in trouble and dealers who had scarcely sold a worthwhile painting for months, but the actual casualties were few. Heim, the respected Old Master dealers in Jermyn Street, stopped trading, as did John Sparks of Mount Street, suppliers of Chinese ceramics to the royal family. But the line seemed to be holding.

In the past week, however, the cracks have appeared. The most alarming casualty is Ackermann, which was summarily sold by its backer, Throgmorton Trust, to the smaller gallery of Oscar and Peter Johnson after almost two centuries of supplying sporting pictures to most of the nation's stately homes. Then came news that HTV was putting its chain of galleries and art publishers on the market, including such famous names as Maas, the Victorian dealer, and Frost & Reed, which concentrated on 19th- and 20th-century art.

Throw in the decision of dealers such as Max Rutherston and Nicola Jacobs to shut up shop and trade from home; the merger between Austin Desmond and Phipps; and the demise of a dozen minor galleries on the fringes of the Portobello Road and Hackney, and you have a scene of doubt and pessimism. It seems that the banks and private backers of galleries have given up hope of any revival within the next year and have pulled the financial plug.

Ironically, it could be that the galleries are closing – and more bankruptcies are forecast – just when the worst is over. Leslie Waddington, the leading dealer in modern art who owns a string of galleries in Cork Street, the main market place for 20th-century art, has just encountered what he takes to be signs of a revival in activity. He says: "I received an offer of £600,000 two months ago for a painting by Francis Bacon which I have for sale at £1.3m. I expect an offer of £850,000 soon. We could do a deal at something around £1m. Up until recently the market was stone dead. Now buyers are appearing".

Like most large dealers, Waddington has laid off staff, put a "relative freeze" on buying, and reduced prices by about a third.

Around the corner in Clifford Street, Bernard Jacobson is doing well with his show of the sculptor Glynn Williams, but the prices, from £5,000-£35,000, are the same as at Williams's exhibition of three years ago. Jacobson, the leading dealer in modern British artists, is concentrating on a major exhibition of English landscape painting scheduled for 1993, when he expects the market to have revived.

Of course there are opportunities in such a depression. The Lisson Gallery, the main dealer in British sculptors, has taken advantage of the fall in property prices to absorb the next-door premises and on Wednesday opens a vast new space. Richard Green, perhaps the biggest dealer in London, with a stock of pictures valued at over £50m, hopes to acquire the prime Bond Street premises of Ackermann. He is also receiving approaches from collectors who need to sell their pictures quietly through dealers.

Many of the newer dealers concentrated on one sector of the market, the artists of the Newlyn School or the Scottish Colourists, whose decorative canvases appealed to the disappearing breed of inexperienced domestic collectors. In contrast, Richard Green operates across three sectors – Old Masters, sporting, and 19th century – and has more than 2,000 active clients, of whom less than a quarter are British.

Ackermann began to make losses because it concentrated on sporting pictures. Once enthusiastic Texan buyers lost their money and their appetite for painted English horse flesh, its options were limited. Its owner, Throgmorton Trust, tried to diversify into general decorative pictures but was unwilling to provide sufficient cash to acquire good work. By contrast, HTV is still financing its galleries. It is selling because the return is negligible and, having secured again its TV franchise, it prefers to concentrate on its core business. It is seeking one buyer prepared to pay about £20m for the group. It could be a long search. When Andrew Weir tried to sell its investment in art, the well-established Spinks, for £50m in the more confident summer of 1990, it failed to find a buyer.

What has saved the London market from total collapse is the absence of "fire sales" – dealers or collectors forced to dispose of their art at give-away prices. Poor demand has ensured that virtually no masterpiece has appeared for sale in the past year. However, this situation will change this month, when in London and New York two important collections come into the auction rooms: the modern British art of the late Sebastian Walker at Sotheby's and the Tremaine collection of significant modern masters at Christie's in New York.

In a world where the impact of a Van Gogh selling for more than $80m in New York can filter down to traders on Portobello Road, the crucial event takes place tomorrow in New York. Serious paintings are on offer at serious prices – a Léger estimated at up to $10m and a Mondrian at up to $8m. These are pictures for connoisseurs, not speculators. If they sell, Mayfair will relax a little.

OBSERVER

Mobutu's French chef

■ In the Byzantine web of power and influence which surrounds embattled President Mobutu Sese Seko, one of Africa's most traditional leaders, an unlikely candidate has emerged as the key to access to the "Big Man" – his French cook.

Mr Buisine (first name unknown) is actually slightly more than a cook. Officially he is known in French as an "attendant" – responsible for organising the president's banquets and daily entertainment programme. However, one west Africa expert describes Buisine, a short man who appears oddly dwarfed by his large double-breasted tailored suits, as "typical of the white servants who are found in key positions in the courts of every African President who thinks he is a divine king".

His unofficial duties are believed to include managing Mobutu's huge property portfolio, which includes several European chateaux, and regularly taking an Air Zaire Jet to Paris or Geneva to go shopping for the President and his large family. Western journalists in Kinshasa have had to arrange all recent interviews with Mobutu through Buisine.

The "attendant" is one of the only people in Mobutu's inner circle who has direct contact with the Kamanyola – the luxurious colonial Belgian riverboat which Mobutu has made his home – apparently on the advice of a marabout, a spiritual guide. What's not been disclosed is the guide's advice on whether he should head for the high seas.

Independent exit

■ The abrupt departure of any chief executive after only 10 months on the job is bound to raise eyebrows. But the speedy exit of Richard Duggan, the boss of recession-battered Trade Indemnity, is more than usually puzzling.

After such a short stint in charge, Duggan can hardly be blamed for the fact that Trade Indemnity's weakened financial position meant that it was unable to leap into the big league by bidding for ISG – the government-owned short term export credit arm. Peter Dugdale, who has chaired the company for more than a decade and is temporarily assuming control, should shoulder the blame for that.

Swiss Re and Munich Re, two of the biggest reinsurers, already have big stakes in Trade Indemnity and France's state-owned Coface signalled its interest recently by buying 8 per cent. But the UK composite insurers, led by GRE which has financial problems of its own, still hold the balance of power. Dugdale is an ex-chief executive of GRE and still sits on its board. No one is elaborating why Duggan quit, but it seems safe to assume that if Trade Indemnity is taken over his would have been the first job to go. His departure suggests that the company's days as an independent entity may well be numbered.

Platform change

■ Goldman Sachs' partner Gavyn Davies, the hirsute prima donna of City economists, is one of those rather strange fellows who actually enjoys writing. But he also seems to suffer from a journalistic weakness of believing that the newspaper he writes for is as important as the content of his much-admired copy.

Having lost his economic platform when his Sunday Correspondent foundered a year ago, he moved to the Sunday Telegraph in mid-January. Now he has switched again, resurfacing as The Independent's principal economic commentator. The two previous incumbents, Barclays' Alan Budd and the Institute for Fiscal Studies' Bill Robinson, went on to become, respectively, chief economic adviser and special adviser to the Treasury. Despite denials, rumours that Davies harbours similar ambitions continue to circulate.

Though his background is with Labour – he was one of Jim Callaghan's policy advisers and his wife works part time for Neil Kinnock – Davies insists he is unpartisan. Indeed, John Major is reputed to read his economic pamphlets for pleasure.

Maybe so, but the latest move suggests that he wants to play a bigger role in shaping the economic debate than he was allowed at a die-hard Tory paper like the Telegraph.

"There must have been a reason why we were interested in rugby"

Come on up

■ It was either statesmanship or compassion. Spotting Jimmy Carter loitering on the edges of his late night victory press conference long after the rest of the international observers had retired to bed, Zambia's new president Frederick Chiluba, invited the former US president to join him. After modestly demurring, Carter moved in with alacrity.

Old presidents never miss photo calls, however far from home.

Spooky move

■ The disintegration of the Soviet empire seems to be having little impact on the fortunes of Britain's security services. Both MI5, the domestic intelligence service, and MI6, the overseas arm, are moving into swish new offices.

Much to the annoyance of some public officials, MI5, whose job it is to track the dwindling number of communist subversives in Britain, is moving into recently refurbished government quarters on Millbank. As a result MPs are to be denied the use of the building's swimming pool and civil servants will no longer be allowed to use the basement squash courts.

Across the river, colleagues from counter-intelligence will soon be exchanging a down-at-heel address in Lambeth North for a purpose-built bunker near Vauxhall Bridge. The cover story for the new building, a grotesque example of the battleship school of architecture, is that it is for the Inland Revenue.

But site workers have been busy telling passers-by how the walls will withstand direct hits from nuclear missiles. Not even the taxman is that unpopular.

All change

■ An informal competition is taking place in eastern Europe to think up an appropriate new acronym for the dissolving Union of Soviet Socialist Republics (USSR). The Poles have come up with what they think is a winner – the UFFR.

It stands for Union of Far Fewer Republics.

Looking up in the Lone Star state

Texas has largely escaped the US economic malaise, reports Martin Dickson

It's called Billy Bob's and it claims to be the world's largest honky-tonk. The bar stands in the old cattle stockyards of Fort Worth, Texas, where tobacco-spitting cowboys still ride in rodeos for the amusement of tourists, and it is a small symbol of the interplay between romantic myth and hard economic reality which is remoulding the Lone Star state.

A cavernous converted cow barn, Billy Bob's opened its doors during the Texas oil boom of the early 1980s, offering patrons a potent mix of alcohol, country and western music and live bull-riding shows. But when the Texas economy nose-dived in the mid-1980s, the club died with it.

It quickly re-opened again, but echoes of the crash linger on, for the bar is partly owned by Resolution Trust, the federal government agency which is sorting out the property assets of America's myriad collapsed savings banks – a good many of them in Texas.

Like Billy Bob's, the Texas economy has recovered with remarkable speed from the 1980s crash, even though its property market is still convalescent, with office vacancy rates as high or higher than other leading US cities. In Houston, for example, the rate *is about* 22 per cent and in Dallas about 25 per cent, compared to a national average of 19.5 per cent. Yet Texas is one of the few regions of the US which so far has escaped relatively unscathed from the national recession of the past year. The state – the third most populous in the US – is still creating new jobs, whereas most of the US is losing them. (Texas added 87,000 new jobs in the year June, a rise of 1.2 per cent) and Houston is the fastest growing employment market among America's largest cities.

This turnaround has a significance well beyond the Texan borders. First, it provides a case study in an economy maturing from one reliant on a single primary product – oil – to one based on a broad range of manufacturing and service industries. "Texas," says Mr Ray Perryman, a leading local economic consultant, "has made the belated transition from an economy of the ground to an economy of the mind."

Second, the state has also made a substantial political shift. Its traditional anti-government populism has not disappeared – Texas remains one of the few US states without an income tax – but it has been smoothed at the edges. "In the old boom days Texas never had to bother with economic development. It just happened," says Mr Thomas Plaut, chief revenue estimator at the state comptroller's (treasurer's) office. Now we're offering the same [investment] incentives as everyone else."

An optimistic, frontier spirit dating back to the cowboy era is helping to drive the Texan recovery

Third, Texas represented the first wave of the property boom-bust cycle which is now affecting much of the US eastern seaboard, particularly New England, and spreading across California, dragging the financial sector down with it.

Yet the state's rapid emergence from depression – despite a severe property overhang and the collapse of many of its leading financial institutions – may provide lessons for other parts of the US.

The seeds of Texas's problem were sown in the early 1980s, when the state was riding the crest of a great oil price boom. By 1982, oil prices had moderated but the state, never short of brash self-confidence preferred to believe that the good times would never end.

The result was a remarkable property building boom, helped along by new tax laws encouraging real-estate speculation and the deregulation of the savings and loan industry, which encouraged small thrifts into the sector. It was a disaster waiting to happen.

When it did, in 1986, it was all the greater because the spot price of oil collapsed from more than $20 a barrel to about $10 in a little over two months. Texas was devastated: the property market collapsed and the oil industry shrivelled. Most of the state's leading banks had to be bailed out by the federal government and by new owners, several of them from out of state. This still sticks in local throats.

Yet by 1989 Texas had clawed back all the jobs lost during the crash, and over the past two years the economy has continued to expand steadily. That said, growth has flattened in recent months and could even halt for a time due to the knock-on effects of the national recession and extensive job cuts in the defence sector. "We're not in boom times here, but I'm not sure we're seeking boom times," says Mr Robert Hunter, vice-chairman of Texas Commerce Bancshares.

Many of the most important forces behind the revival were beyond the state's control. The decline of the dollar in the mid-1980s powered a US export boom and Texas, as a leading trade centre and substantial manufacturing base, benefited mightily. A rise in oil prices also helped, as did a wave of capital investment in the huge petrochemicals industry based in Houston, the city which has led the Texan recovery.

The state's very weakness was also an advantage: cheap property prices, excess manufacturing and labour capacity, together with wage rates at or below the national average, were all attractions for corporations wanting to expand operations or relocate headquarters in the southern sunbelt. Companies which have moved headquarters jobs to Texas include J.C. Penney, the retailer, and Exxon, the oil group.

Given the state's devastated financial structure, much of the capital to fund the revival must have come from other US and international sources, drawn by the forces of supply and demand to new investment opportunities.

But the severity of the 1980s slide also woke Texans up to the fact that their extreme *laissez-faire* attitudes were not enough to create a coherent, balanced economy. They needed to modernise the political and economic framework.

In Houston a partnership was formed between government and the private sector which has done much to boost the city as a centre for non-energy industries such as biotechnology and aerospace. Says Mr Jim Kollaer, who heads the Houston agency: "Some things just won't happen unless you nurture them or market them."

A further factor in the recovery, albeit unmeasurable, has been sheer Texan grit – an independent, optimistic frontier spirit dating back not just to the cowboy era but to the brief decade in the mid-19th century when Texas was an independent nation. Thus, many companies dependent on the energy industry responded to the oil bust with remarkable flexibility, going into completely new lines of business – moving, for example, from making oil-field equipment to milking machines.

One lesson of the depression, says Mr Stephen Brown, senior economist at the Federal Reserve Bank of Dallas, is that "attempts to maintain things as they have been will probably be unsuccessful and result in less economic growth". Another, says Mr Plaut, is that "to the extent you can lessen excesses, so you can reduce the probability of a big downturn".

The Texas economy could wobble over the next year, since one result of reduced oil dependency is that its cycles are now more in line with that of the wider nation. It also faces some tricky social problems, particularly with education, as its Hispanic minority population grows. And its antiquated fiscal apparatus needs more overhauling to eliminate a recurrent mismatch between revenue and expenditure. Yet its long-term outlook is among the brightest of any US state: it will remain a magnet for new investment, thanks to its position in the middle of the continent and the heart of the sunbelt, with an economy underpinned by oil and gas, few environmental problems, relatively low business costs and a young workforce.

It will also get an enormous boost from the proposed US-Mexican free trade agreement, if this gets through Congress next year, which promises greatly to increase the already significant business links across the Texan-Mexican border.

"The Texas Full Employment Act of 1992" is what Mr Perryman calls it. These days Texans can afford to joke – though the last few years have left them too humbled quite yet to gloat.

Samuel Brittan

The Governor needs to recover Euro-emphasis

The Lord Mayor's banquet on Thursday night was a great and glorious occasion – made, if anything, more glorious by its transfer to the refurbished medieval Guildhall, while the Mansion House is being renovated. Its only shortcoming was that there were four heavyweight speeches – too many for concentration after a good dinner.

A possible future improvement would be that only one speaker should make a weighty pronouncement. Alternatively, use should be made of the American Congressional practice of reading into the record the graver remarks. This would leave room for the one or two jokes which got crowded out on Thursday night.

A more serious criticism was that the emphasis of all the speeches was on stability and on determination that inflation should never be allowed to occur again. Stability is one element in the success of capitalism. But another element, lacking from the speeches, is what Keynes called "animal spirits" and Schumpeter called "creative destruction". The desire not to say too much about the latter was understandable after a year of so many financial scandals.

But even sticking to the current interpretation of stability, the Governor of the Bank of England, Mr Robin Leigh-Pemberton, has shifted his emphasis unfortunately. A couple of years ago he braved the wrath of Mrs Thatcher by making it clear that he was an enthusiast for soon joining the Exchange Rate Mechanism and eventually establishing a single European currency.

More recently, he has been too much influenced by colleagues who have either never had their hearts in the Euro enterprise or who are still unwilling to jettison the notion of a "competitive exchange rate". This has shown itself in a series of speeches on the convergence conditions required to establish a single currency, which are stricter than anything that obtains in existing single currency areas such as the US or Canada.

It also showed itself in some distinctly odd phrasing on the ERM on Thursday night, when the Governor said: "Membership will remain a key part of our strategy; its strength depending, too, on the commitment of our partners to the objective of price stability." Surely he does not really think that an inflationary Germany is going to weaken Britain's commitment to stable prices, despite a few months in which the very deceptive headline UK rates will be below the German headline ones?

No doubt I should have been delighted by his espousal of nominal gross domestic product as a policy objective in place of unclear monetary aggregates – a substitution which I proposed in a booklet first published by the Institute of Economic Affairs in 1981.* But the main use of the concept is now at the European level, where the lead is now taken by the Bundesbank, but may one day be taken by the EC Central Bankers' Committee and ultimately by the European Central Bank.

The fall in UK rates gives an exaggerated idea of the scope for UK interest rate changes in the ERM

Nominal GDP still has some internal UK use, but only within the limited room for manoeuvre which ERM membership still provides. For the fall in British base rates by 4½ percentage points gives a much exaggerated idea of the scope for unilateral interest rate changes inside the ERM. The UK reductions were only possible because of the extremely big differential originally existing between British and German interest rates, now largely eroded.

Interest rate policy will henceforth be determined mainly at an EC level. This will be obvious when monetary union occurs. But it is very nearly true with the present hard form of the ERM under which parity changes are not expected.

Thus the principal weapon against UK inflation will no longer be British interest rates. Instead it will be the knowledge that inflationary cost increases cannot be passed on in international markets or even in import-sensitive domestic ones. Under the ERM, the main initial impact of a counterinflationary squeeze will no longer be felt in property prices or domestic services, but in traded goods, including manufacturing. These are important changes in the rules of the game, still not well understood.

Will it be possible to use credit controls as a supplementary weapon, when the interest rate one is longer available at a purely domestic level? A new IEA study** looks carefully at the issue. The authors demonstrate that controls could not work under free capital movements. The abolition of UK exchange controls in October 1979 triggered an expansion of the Euro-sterling market which undermined within eight months the Bank of England restriction on bank deposits and lending known as "the corset".

The one serious supplement to normal monetary policy would be a tax on mortgage interest rates: which would be crazy given the determination of the two main political parties to continue to subsidise these payments via mortgage interest relief.

A credit and housing boom is now the last of a British chancellor's concerns. The outbreak of repossessions continues to weaken the housing market and pull back general recovery. But if such a boom does occur later in the 1990s it will have to be treated like a boom in Texas or California would be in the US – that is as a local variation in a particular set of relative prices and amenable only to the type of action (eg via planning rules) that a US state government could take.

* *How to End the Monetarist Controversy (2nd ed.), 1982.*
***D. Llewellyn and M. Holmes, Competition or Credit Controls? Both published by the IEA, 2 Lord North Street, London, SW1P 3LB.*

LETTERS

Skill shortages: not just in manufacturing and partly self-inflicted

From Mr Richard Brown.

Sir, The disparity between estimates of skill shortages (UK News – Employment, October 31) – where government statistics point to nearly a quarter of businesses reporting skills shortages, but the Confederation of British Industry reports only one in 20 – overlooks the constituents of the latter's survey sample of 1,200 companies. Of course, the CBI would not claim that its survey represents any more than just the manufacturing sector, and not "companies" as a whole. The British Chambers of Commerce survey, based on 7,636 responses in both manufacturing and services, shows 20 per cent of companies suffering skill shortages and goes some way to confirming the government's own estimates, underlining the continuing problem facing commerce and industry. Even in a recession, recruitment difficulties should not be so quickly dismissed as an obstacle to growth.

Richard Brown,
director of policy,
Association of
British Chambers of Commerce,
9 Tufton Street,
London SW1

From Mr David Jenkins.

Sir, I was interested in the report of the Merseyside Chamber of Commerce & Industry ("Northern companies report recruiting difficulties", October 30) disclosing worsening shortages of skilled people affecting many firms in Merseyside and Cheshire. It also noted the need to improve arrangements for training engineering apprentices in the area.

It is difficult to match these findings with the experience of a leading engineering company in Greater Manchester with a fine record of training young people which, forced recently to make severe cutbacks in its highly-skilled workforce, has found it impossible to find a company prepared to offer the opportunity to any of its five engineering apprentices to complete their training.

The local community would surely gain if companies currently lamenting skill shortages could provide some practical assistance in securing their local skills base.

David Jenkins,
TEK Associates,
Chantrey House,
Landford Road,
London SW15

Claim that low inflation leads to high growth needs examination

From R Hall.

Sir, The figures for the correlation between inflation rate and gross national product growth rate provided by Edward Balls ("International Economic Indicators", October 28) provide a welcome rebuttal of the claim by many politicians and economists that a low inflation rate is a necessary (and even sufficient) precondition for a high sustained GNP growth rate. Mr Balls states that "there appears to be no truth in the claim that countries with below average or stable inflation rates have above average growth rates".

Indeed, if one plots the data provided by Mr Balls to show growth rate versus inflation rate the resulting graph, if anything, shows that higher inflation rates are more likely to lead to high growth rates than low ones. When one takes into account the long period (35 years) over which the data were gathered, where a 1 per cent difference in growth rate will lead to a 40 per cent difference in GNP over the period, there is a need to examine closely the claim that German-style low inflation will inevitably lead to a higher growth rate than that from a variable-exchange rate driven one.

In the long run, most people will judge the success of an economic policy by the improvement in their own material circumstances. This is more likely to be affected by GNP growth rate than by other factors such as budget deficit, national debt, exchange rate stability or current account balance beloved of convergence-obsessed economists.

R Hall,
9 Ormond Avenue,
Hampton, Middlesex

Futures and options funds not damaged by ill-fitting regulations

From Ms Colette Bowe.

Sir, John Authers' article on Futures and Options Funds (FT Quarterly Review of Personal Finance, October 25) states that no futures and options funds (Fofs) are on the market "and no manager has come forward with a definite plan to launch one". The Fof is "a good idea" but "some ill-fitting regulations have damaged it".

We disagree with this assessment. Since the new unit trust regulations came into force on July 15 this year SIB has received 10 applications for authorisation of Fofs and one for a geared Fof (GFof). The fact that there are no authorised derivatives funds on the market as yet would seem to be due more to the time required to develop a completely new product than to any lack of desire among unit trust managers to offer a Fof to the public.

John Authers goes on to lament the fact that "guarantees" cannot be linked to authorised derivatives funds. This is true, but arises because unit trusts are open-ended rather than because "SIB's regulations are too complicated". SIB has held discussions with industry practitioners on the practicalities of permitting some form of closed-end vehicle to make possible the offering of guarantees. More work on this is being done.

We believe that the industry now has a fully workable set of regulations and I expect a number of Fofs to be authorised in the very near future.

Colette Bowe,
group director, retail markets,
Securities and
Investments Board,
2-14 Bunhill Row, London EC1

Market pricing an essential step to efficient energy economies

From Mr Silvan Robinson.

Sir, Joe Rogaly ("No regrets – yet", October 22) and Andrew Warren (Letters, October 26) both seem to have missed an important point from the Ditchley discussions. Intellectually, most people with even a cursory understanding of energy economics have noticed that a remarkable amount of energy can in theory be saved at quite economic cost without taking into account esoteric calculations internalising external environmental costs. They also notice that, in the real world, energy efficiency is, if anything, slowing down. They also probably recognise that if anything serious is to be done about global warming a sustained campaign to promote energy efficiency is needed.

There is the world of difference between letting markets work and making them work. A passive attitude towards markets will not get energy efficiency very far. Making markets work requires, paradoxically, active government intervention, if only because energy markets as they exist today are a mass of distortions. A real effort at removing energy subsidies – for example, the German coal subsidy; the Russian subsidy of all energy prices; the electricity price subsidies throughout the less developed world – could cause the collapse of governments or revolution. The same applies to regulatory structures, which often make least-cost planning of electricity supply impossible.

Efficient energy economies also happen to be efficient economies generally, as the Japanese can tell us and the Russians cannot. This is not to say that other measures of economic engineering are not needed, but market pricing is a first essential step. The odd thing about Ditchley was not its attitude to markets, but the low probability many people gave to the risks of global warming as such. They should put last year's report by the first working group to the Intergovernmental Panel on Climate Change under their pillow to read at night.

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Fax service

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FINANCIAL TIMES
Monday November 4 1991

Education and transport expected to win more funds before election

UK public spending likely to rise £7bn

By Peter Norman, Economics Correspondent, in London

THE BRITISH government is expected this week to announce an increase of up to £7bn ($12.04bn) in planned public spending for 1992-93, reducing the chances of a cut in income tax before next year's general election.

Increased public spending, particularly on state education and transport, is understood to have been agreed by the Treasury to boost the government's appeal with the electorate.

A general election must be held in Britain before July next year.

The proposals – expected to be announced on Wednesday by Mr Norman Lamont, chancellor of the exchequer, in his *Autumn Statement on government* spending plans – limits severly the scope for tax cuts in next year's annual budget.

In an interview published at the weekend, meanwhile, Mr John Major, the prime minister, held out the prospect of the basic income tax rate being cut to below 20 per cent from the present 25 per cent.

Treasury officials, however, admit that this is now seen only as a long-term goal.

Instead, it is expected that the chancellor will add about £10bn to existing spending programmes for the coming financial year.

About £3.5bn of this could be financed by halving the £7bn contingency reserve that is *already included in the government's* 1992-93 spending plans. This would enable the Treasury to announce a relatively undramatic increase in its public expenditure planning total, which excludes the self-financed expenditure of local authorities and debt interest, to about £228bn in 1992-93 from the £221bn forecast at the time of the last annual Budget in March.

The higher spending will be set in the context of gradual recovery in an economy that is expected to grow by about 2.25 per cent next year with inflation fluctuating around 4 per cent.

Much of the increased spending will be involuntary. Higher *child benefits, greater than* expected unemployment and other recession-induced social costs are expected to boost planned social security spending by approaching £4bn.

In spite of lower tax receipts, it is thought that Mr Lamont will announce only a modest increase in the public sector borrowing requirement (PSBR) or budget deficit for the current financial year.

The government is resigned to a rise in the ratio of public spending as a percentage of gross domestic product next year although it will reaffirm its policy of bringing down the ratio in the medium term.

It is thought that the ratio could move upwards to around *42.5 per cent in 1992-93 instead* of falling as planned to 41.25 per cent from the 41.5 per cent ratio envisaged for 1991-92 at the time of the Budget. There is likely to be little revision of the expected spending-to-GDP ratio for this year.

An Autumn Statement along these lines is unlikely to cause many waves in financial markets. A survey of 18 City of London economists, published by MMS International, the business information group, suggested that the City is anticipating a 1992-93 public expenditure planning total of £227.5bn and that the Mr Lamont will announce a 1991-92 PSBR of £10bn.

Labour party strategy, Page 6

Hedging against the risks of low inflation

Three straws in a chill wind: the proportion of pension fund holdings invested in gilts *has risen by nearly a third* in the last year (though at 10 per cent, it hardly amounts to a vote of confidence). Another reminder of the past: the fashionable talk of "strategic alliances" is rather like the cartelisation which was tolerated and even officially sponsored in the 1930s. As for the immediate future, the equity market fell more than 16 points after the chancellor's latest display of seasonally-adjusted optimism – a scepticism which is now becoming routine.

By Anthony Harris

Mr John Banham, the director general of the CBI, put his own gloss on the survey which so raised Mr Lamont's spirits. "This is no time for euphoria, just because things are not getting worse, and may be getting *marginally better," he said in* an interview. His warning was hardly needed in the City, where the mood seems to get steadily less euphoric.

The horizontal equity market is one sign, but the political atmosphere is more telling: at recent lunches and conferences, the possibility of a Labour government next year has been treated not as a downside risk, but as a likelihood. This seems to me questionable as a political judgment – if times remain hard, voters may decide to cling to the devil they know. However, it reflects a City view of Mr Major as a Micawber, waiting for something to turn up – something which seems increasingly unlikely.

The economic facts are hardly encouraging. There seems to be a new downturn in the US; British exports are falling, with weakening demand in Europe and Japan. British banks, who still see no sign of recovery, are issuing profit warnings, despite interest rates which are still near their record high in real terms (as Mr Banham stressed in calling for further cuts). In one respect, though, the City is more optimistic than even Mr Lamont: the consensus forecast for inflation is now around 3.5 per cent and falling, with a significant number of takers for zero. Hence the dawning renewal of interest in bonds.

Do the central banks believe this, though? Even leaving *aside Europe, where the Bund*esbank is still struggling with the genuinely inflationary effects of the recent German boom, the signs are that they are adjusting very gingerly.

The US Federal Reserve has been boldest, but still not bold enough, according to a little monetary history from Robert Brusca of Nikko, who has established an enviable track record of analysis in the last year or two. He shows that, *despite the repeated* cuts in US rates, the real cost of credit is still about 4 full points higher than in the previous four recessions, and has fallen 2.4 percentage points less. Still, the Fed *has cut rates by 1.3* percentage points more than the fall in inflation, which is more than can be said for any other central bank confronting the present recession.

There is a growing shortage of capital projects which hold out any reliable promise of solid returns. Any takers for a Soviet road project – or, for that matter, a Chunnel recapitalisation?

Theory says that central banks cannot, in the long run, determine the real rate of interest, which cannot exceed the real return on investment; but this does not justify the fashionable current belief that our high real rates are due to an unquenchable demand for capital. On the contrary, there is a growing shortage of capital projects which hold out any reliable promise of solid returns. Any takers for a Soviet road project – or, for that matter, a Chunnel recapitalisation?

What central banks can *determine is the rate at which* real rates fall, and indirectly the real growth and real returns which determine them. The danger is that if over-caution is too long sustained, the rate will be determined in a market where there is very little lending and very little investment – not unlike the situation which could emerge in this country and in the US. In other words, over-caution could turn recession into depression, or even the 1930s trap in which high real rates were determined not by high nominal rates, but by falling prices.

The good news is that this danger is well understood in the US, and is at last on the agenda in the UK, where the chancellor is asking for more information on why banks are so reluctant to lend (they are currently *doing only about* a fifth of the net lending in the British economy). That is why the real threat which investors should consider is not that of depression, but of a recovery which is almost endlessly sluggish.

The central banks, to be fair, must not only consider that the speculative booms which ended the 1980s are still very recent history, but that they face a tricky political problem. How long can they rely on unquestioning political support for a firm stand against infla*tion? They have achieved great* success so far, but the political cost is beginning to look forbidding – weakening support for popular leaders in the US and the UK, and something near disaster for the firmest anti-inflationist of all, President Mitterrand.

What are the dangers that some embattled leader will turn tail? The markets are already toying with the idea that the French may ask for a realignment in Europe, that the next British government will devalue, or that President Bush may decide on a dash for a still bigger deficit. None of these look to me like serious probabilities; a U-turn so late in the day would be bad politics as well as questionable economics. *All the same,* some central bankers may be tempted to finish the job while they still have time.

This would surely be a foolish form of prudence. Central bankers do not owe their prestige (whether they are formally independent or not) only to their success in protecting the value of money, but to their reputed judgment. Drastic overkill would be just as big a threat to their future as failure. In any case, they face a threat nearer to their daily concerns: financial fragility.

It seems realistic to hope, then, that if the world recovery is as weak as is now widely expected, the monthly gatherings of central bankers in Basle will become steadily more and more like disarmament conferences. And that, at bottom, is the real case for bonds.

Congress gives its backing to Star Wars defence

By George Graham in Washington

The US administration's ambitions to develop a "Star Wars" defensive system against missile attack have taken a decisive step out of the laboratory with a compromise reached by Congress over this *year's defence budget.*

The administration, the Senate and the House of Representatives have been trying for months to reconcile their divergent views on the shape of defence spending in the fiscal year which began on October 1.

In the compromise finally hammered out on Friday, the House won a significant victory in its battle to halt the B2 stealth bomber.

But in return, House negotiators have had to accept a radical advance in funding for the *Strategic Defence Initiative* (SDI), a programme aimed at developing defences against ballistic missiles.

The SDI sought by President George Bush, dubbed Global *Protection Against Limited* Strikes, or G-Pals, is far more modest than President Ronald Reagan's futuristic Star Wars programme.

The House-Senate compromise allows $4.15bn for SDI spending this fiscal year, less than the $5.15bn requested by the administration or than the $4.6bn originally allotted by the Senate, but a substantial increase from the House's proposed $3.5bn allocation.

More importantly, however, the House has accepted for the first time the goal of deploying *an anti-ballistic missile* (ABM) defensive system, by 1996 if the technology is ready.

"We have crossed the political and psychological barrier from a research programme to *now embracing the concept of* deployment, which from my perspective is something I am extremely uneasy with," said Congressman Ronald Dellums, chairman of the House sub*committee on defence research* and development.

The budget deal reflects a radical shift in defence thinking. The diminished cold war threat of a Soviet attack coupled with the new danger of missile attacks from renegade Soviet republics or third world nations has unravelled the traditional left-right split on defence and crafted a new alliance in favour of missile defences.

The bulk of the SDI money is to be spent on relatively conventional anti-missile defences, similar to an enlarged Patriot system used during the Gulf war.

The compromise stipulates that only a system that complies with the US's 1972 ABM Treaty with the Soviet Union may be deployed. This would mean a maximum of 100 ABM missiles confined to a single site, probably Grand Forks in North Dakota.

But the deal also urges Mr Bush to negotiate changes to the ABM treaty which would allow a more comprehensive defensive system to be deployed. *It provides* $390m for the development, though not the deployment, of the most ambitious component of SDI, a space-based interceptor system known as "Brilliant Pebbles".

Warm welcome: an Imelda Marcos supporter makes a victory sign to passing motorists in Manila yesterday

Imelda Marcos flies home to Manila

MRS IMELDA MARCOS left Hawaii last night to return to the Philippines for the first time since she fled into exile with her husband, the then president Ferdinand *Marcos, after a popular uprising in 1986,* writes Richard Gourlay.

She was due to be greeted by supporters still loyal after five years during which the couple were accused of plundering billions of dollars from their country over their 20-year rule.

President Corazon Aquino's government agreed to allow Mrs Marcos to return to allow her to face tax fraud charges stemming from these allegations. If Mrs Marcos is not put on trial by December, the Swiss government will unfreeze assets in its banks and return them to her.

Mr Marcos died in Honolulu in 1989 and has remained unburied while Mrs Marcos negotiates with Mrs Aquino for his return to the Philippines and what she calls a *"hero's burial"*.

The government had refused to allow the return of the Marcos family, and still refuses to allow the former president a burial in Manila, for fear that Mrs Marcos will rekindle political opposition.

The former first lady has been named in connection with financing at least one of the five unsuccessful coups launched by disaffected army officers.

Mrs Marcos has continued to oppose Mrs Aquino from her exile in Hawaii. But her return comes in a less highly charged political atmosphere than that which surrounded the 1983 return from exile of Mrs Aquino's own husband, Benigno Aquino.

His assassination as he stepped from the aircraft bringing him home lit a slow fuse *under the Philippines' powerful richer* classes and the business community which three years later ignited the revolution that toppled the Marcoses.

The Aquino government has mounted a large operation to guard the 62-year-old Mrs Marcos. Before leaving Hawaii yesterday, she joked about the belongings she would retrieve from the Malacanang Palace, including her notorious 2,000-pair collection of shoes.

The palace, with Mrs Marcos's wardrobe, has been preserved as a monument to the Marcos excesses.

Zaire's Big Man berates the west

Julian Ozanne meets the defensive yet confident President Mobuto

AS THE *Kamanyola*, the Belgian colonial riverboat which Zairean President Mobutu Sese Seko has made his permanent court, chugged up the murky Zaire *river, the leader known simply* as "the Big Man" emerged from his private quarters.

Portly and more than six-feet tall, he strode down to the reception room. Dressed in his *trademark leopard skin hat* and green jacket, he raised his cane to attention.

"I am with you," he said as he sat back in a shell-shaped sofa.

Mr Mobutu, in his softly spoken French, appeared defensive but confident in the face of a two-month campaign by pro-democracy activists to unseat him.

He spent much of the interview attacking Western interference, particularly by France, which has cut economic assistance, evacuated its nationals and put pressure on Mr Mobutu to stand down. "I am not a man who takes a position to do the wishes of the west. I am at the head of Zaire," he said. "What has Mobutu done to France? . . . Do you think that France should tell me what to do and if I don't they cut assistance. That is very serious for a great power like France. It is very serious against a young country like Zaire. It is destabilisation."

Mr Mobutu said that in other African countries where there are military regimes and where *the leaders refuse to accede to* democracy, such as Kenya, the west leaves them alone. He emphasised repeatedly he would not bow down to western "dictates" or pressure from a few people on the streets.

"It is not the streets which will declare the democractisation of Zaire," he said. "Change – It is me who did it. It was not the street . . . I followed the minority [who wanted democratisation] against the wishes of the majority because things were evolving across the world, in eastern Europe. I am change."

Asked if he liked power, the 61-year-old Mr Mobutu said: "If you don't like what you are doing you don't stay for 26 years as head of state. Yes, I like power."

After the interview the boat changed direction and headed towards a village on the riverbank where about 300 fishermen gathered to wave to the president.

Mr Mobutu waved his cane back and forth across his head encouraging the fishermen to *pull their dugout canoes along*side the Kamanyola's bow. The presence of soldiers in the crowd and the comment of one official that this was a "spontaneous" demonstration of love for the president fuelled suspicions that the occasion was orchestrated.

Mr Mobutu, the missionary-educated son of a hotel cook, avoided answering questions about his personal life. Asked why he chose to live on the Kamanyola, he said he was *un homme du fleuve* – a man of the river.

"I was born next to the river. One listens to marabouts," he said, referring to a spiritual guide who told him he would never be killed so long as he lived on water.

The Kamanyola, rarely visited by foreigners, has given rise to rumours. However, an extensive tour revealed that it *is remarkably modest* and displays no signs of the fortune Mr Mobutu is said to have amassed throughout his long period in power.

Only the antenna suggests the president is in communication by satellite telephone with advisers ashore.

Each night the boat leaves its pier at Nsele – a newly constructed village 50km from Kinshasa, the capital – and home to a presidential villa, a fun park with water slides, offices of the ruling MPR party and a helicopter pad with two military helicopters on permanent standby. No one, except the closest of the inner circle around Mr Mobutu, knows where the Kamanyola – named after a battle won by Mr Mobutu against the secessionist Katangese gendarmes in the 1960s – has gone.

Observer, Page 12

Federal army intensifies its assault on Croatia

continued from Page 1

was wavering under threat of EC sanctions.

EC foreign ministers meeting in Brussels today will discuss the sanctions which could be levelled against Serbia or any other republic which refuses to accept the EC peace plan. Immediate suspension of preferential trade and co-operation accords between the EC and the federation is still the most likely option. Trade would then be reopened with republics which had agreed to the EC plan.

The EC Commission also believes aid from the Group of 24 nations could be rebalanced to benefit only those republics which co-operate with the peace plan.

Both moves would be a step towards formal recognition of the independence of co-operating republics. The Dutch presidency of the EC indicated last week that recognition would be a factor in any subsequent political solution to the crisis, although it seems unlikely to follow automatically from the selective imposition of sanctions.

WORLDWIDE WEATHER

		°C	°F
Ajaccio	[illegible]	[illegible]	[illegible]
Algiers	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]
Athens	[illegible]	[illegible]	[illegible]
Bahrain	[illegible]	[illegible]	[illegible]
Bangkok	[illegible]	[illegible]	[illegible]
Barcelona	[illegible]	[illegible]	[illegible]
Beirut	[illegible]	[illegible]	[illegible]
Belfast	[illegible]	[illegible]	[illegible]
Belgrade	[illegible]	[illegible]	[illegible]
Berlin	F	14	57
Biarritz	S	20	68
Bombay	S	33	91
Bordeaux	C	16	61
Boulogne	R	11	52
Brussels	R	9	48
Budapest	S	4	39
Buenos Aires	F	23	73
Cairo	C	16	61
Cape Town	S	19	66
Caracas	C	27	81
Casablanca	S	24	75
Chicago		–	–
Cologne	R	14	57
Copenhagen	F	10	50
Corfu	F	16	61
Dallas		–	–
Dublin	F	5	41
Dubrovnik		–	–
Edinburgh	F	7	45
Faro	F	20	68
Florence	R	11	52
Frankfurt	F	16	61
Geneva	F	17	63
Gibraltar	Fg	16	61
Glasgow	S	7	45
Helsinki	C	9	48
Hong Kong	S	25	77
Innsbruck	S	12	54
Inverness	S	6	43
Islamabad	F	25	77
Istanbul	F	10	50
Jakarta	C	32	90
Jersey	F	11	52
Johannesburg	S	18	64
Lima	C	20	68
Lisbon	C	16	61
London	C	11	52
Los Angeles		–	–
Luxembourg	C	12	54
Madeira	F	22	72
Madrid	F	19	66
Majorca	S	22	72
Malaga	S	19	66
Malta	F	20	68
Manchester	F	8	46
Manila		–	–
Melbourne	F	29	84
Mexico City		–	–
Miami		–	–
Milan	F	8	46
Montreal		–	–
Moscow	S	-2	28
Munich	S	17	63
Nairobi	F	27	81
Naples	Fg	13	55
Nassau	F	30	86
New Delhi	S	28	82
New York		–	–
Nice	Dr	15	59
Nicosia	F	20	68
Oporto	R	17	63
Oslo	R	3	37
Paris	R	12	54
Peking	S	11	52
Prague	S	11	52
Reykjavik	F	3	37
Rhodes	S	17	63
Rio de Janeiro	C	24	74
Rome	F	16	61
Salzburg	S	15	59
San Francisco		–	–
Seoul	F	11	52
Singapore	F	30	86
Stockholm	C	9	48
Strasbourg	F	17	63
Sydney	S	24	75
Taipei	C	24	75
Tangier	S	21	70
Tel Aviv	C	22	72
Tenerife	S	27	81
Tokyo	S	18	64
Toronto		–	–
Tunis	S	23	73
Valencia	S	23	73
Venice	F	8	46
Vienna	S	7	45
Warsaw	S	9	48
Washington		–	–
Zurich	S	16	59

Temperatures at midday yesterday C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sunny Sl-Sleet Sn-Snow T-Thunder

FINANCIAL TIMES SURVEY

PORTUGAL

SECTION III

Monday November 4 1991

A more self-confident country faces new choices as old industries decline and fresh attitudes assert themselves. Optimism is high, says **Patrick Blum**, though the economy and EC integration pose problems, while curbing inflation is the key to participation in Emu.

Strong cards for Europe

ANYONE travelling around Portugal after some years' absence would encounter a new country. It is not just the impact of a vast programme of public works that would astonish the visitor, or the other signs of five years' accelerated growth and development, but the change in public attitudes.

Portugal has become more assertive and self-confident. This is especially true of the younger generation, which has grown up without many of its elders' inferiority complexes, deeply ingrained after years of dictatorship, isolation, poverty and neglect.

With more than a quarter of the population below the age of 35, and a big demographic bulge for those aged between 15 and 30, there are clear political implications. Mr Anibal Cavaco Silva, the prime minister, is keenly aware of them. During the recent general election campaign his message pointedly associated stability with progress and a bright future.

No other Portuguese politician symbolises the new spirit better than Mr Cavaco Silva, and it was his up-beat and self-confident message, as much as any practical achievements, that gave him such a remarkable victory last month. The crowds of young supporters who gathered exuberantly and noisily in the streets of Lisbon and Oporto to celebrate the prime minister's victory were ample evidence of his appeal.

Mr Cavaco Silva thanked them in his victory speech. "I am conscious that without the extraordinary contribution [of youth] victory would not have been possible," he said.

Yet there are dangers. Portugal could become polarised between those who believe they have a stake in the country's future and those who feel left behind, between the young and the old. Portuguese society could become more selfish and less caring as traditional bonds of solidarity between family, friends and community are loosened. Today's young Portuguese, especially those under the age of 20, are less idealistic than the generation that preceded them. They are more realistic and competitive.

The left, and in particular the Communist party, suffered most from these shifts in attitudes. Gone are the heady days of revolution, when people marched for the redistribution of wealth, taking over factories and land. Today, people still protest – or boycott elections – but to demand higher pay or better conditions, or to complain about the lack of adequate water supplies. There will be more protests, by public employees and by farmers angry about European Community farm policy, but none is likely to be a serious threat to the government.

Not everyone shares the official optimism. Portugal has many problems, and the economy still shows signs of structural weaknesses. Many people worry about the country's uneven development, about enduring and very real social problems, and about the impact of the next phase of European integration; but even the opposition found it hard to fault the government's conduct of the economy.

There are three sets of overlapping problems: economic, social, and those directly related to EC integration.

After Portugal's accession to the Community, in January 1986, the country experienced a boom, with fast growth, high investment and low unemployment – now at around 4.2 per cent, and the lowest in the Community after Luxembourg. The economy showed signs of overheating, with inflation peaking at 14 per cent in September last year, in spite of government efforts to curb demand and consumption by restricting credit and maintaining high interest rates. Exports grew, but not as rapidly as imports, and the trade balance deteriorated. The budget deficit has proved difficult to reduce.

Growth has slowed this year to around 3 per cent, though it is still higher than that of most of Portugal's EC partners, thereby continuing to reduce the development gap between Portugal and the rest of the Community. Inflation is slowly coming down. Mr Cavaco Silva says it will fall to around 11 per cent on an annualised average basis by the end of the year. "There won't be an abrupt reduction, but the results are reasonably good," he says.

The budget deficit remains above 5 per cent of GDP; the trade deficit has worsened, but its negative impact on the current account balance is minimised by capital inflows, revenues from tourism and emigrant remittances. The current account deficit is expected to be a manageable 1 per cent of GDP. Reserves are at a record high.

The biggest problem is inflation, because it is the key to Portugal's full participation in European Monetary and Economic Union (Emu). The escudo's desired entry into the European Monetary System depends on inflation being brought closer to the European average. Reducing inflation and the budget deficit are therefore government priorities.

Mr Cavaco Silva believes these objectives can be achieved by keeping wages and public spending under tighter control, without having to resort to austerity. The first, because already-falling inflation will help to moderate wage demands; the second, because high economic growth will ensure higher government revenues, thereby avoiding the need to make drastic expenditure cuts or raise income tax. "Austerity is not necessary," he says. "Maintaining a high growth rate is the only way to have a fiscal dividend without having to raise taxes."

Privatisations will help. Portugal also hopes to win a reduction in the proportion of government co-financing for EC-backed projects, thereby reducing pressure on the budget; and it would like greater flexibility in the use of some EC funds, so that these can be used in areas covered by the budget, such as formal education, rather than for (non-budgeted) training. The improvement of educational standards is a major challenge.

There are two other pressing problems. Much of Portugal's textile industry is out of date and under-capitalised, having relied for too long on low labour costs; and agriculture is chronically inefficient. Both are unprepared for the single European market and for growing competition from outside the EC. Both face a major restructuring that will leave them considerably smaller and less important, with potentially explosive social consequences. About 200,000 people work in the textile industry; agriculture occupies almost 20 per cent of the active population.

The shock will be greatest in agriculture, where it is more difficult to channel investment. It is easier to restructure the textile sector, and its high concentration in parts of the country will provide pools of industrial workers who can be retrained to fill jobs in new industries or the growing service sector.

In the north, farming is often a supplementary source of revenue for families whose main income comes from industry or commerce, and it will help to provide a temporary cushion against job losses. There is no such cushion in the south's less developed rural areas, although its larger farms may be more adaptable to more intensive and efficient production methods.

The government hopes to receive extra EC aid to cope with these problems, and the chances are that it will get it. Foreign investment, which is likely to reach a record $6bn this year, could also help, but it is concentrated in the most developed parts of the country, and is unlikely to alleviate problems in the more backward agricultural areas.

The gloomy view is that these problems are so overwhelming that they will derail Portugal's efforts to modernise and catch up with its richer European partners. The optimists argue that they provide Portugal with a unique opportunity to restructure the economy by reducing the weight of inefficient sectors and freeing resources for new activities.

Portugal has strong trumpcards. It has the good will of the Community (whose presidency it takes over in January), a manageable economy, and the assurance of another four years of political stability.

Mr Antonio Borges, deputy governor at the central bank, is among the optimists, though he would like to see the hard decisions tackled sooner rather than later. He says: "The key challenge is: are we going to make the jump, or remain the poor relative always begging for money? It's in our hands. With the right policies, we will get the right results."

Ashley Ashwood

Transports of delight: the pace of life is accelerating, but Lisbon retains its colourful old trams: see *Living There* page 8

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Economic success is creating problems, says **David Gardner**, as

Europe poses hard choices

PORTUGAL's economic development over the past five years has been a genuine EC success story. National output in 1986-90 grew at an annual average of 4.6 per cent, against the EC mean of 3.1 per cent, fuelled by investment and export growth running at twice the Community average.

Each year, some 120,000 new jobs were created, halving unemployment to a mere 4.2 per cent, a quarter of rates in neighbouring Spain or in Ireland, countries just above Portugal on the EC's development ladder.

The Portuguese have a new confidence and brio about them. The 1974 revolution, through which the Left ended 40 years of dictatorship and isolation from Europe before succumbing to a democratic counter-revolution, has all but faded from public memory.

But Portugal's very success in establishing a high-growth, market economy has already thrown up problems. Now, as well as dealing with these, the country faces hard choices as it seeks to consolidate its position in a Europe moving from a barrier-free single market towards economic, monetary and political union.

The two overarching facts of the last five years have been EC membership and stable government. Since accession in January 1986, Portugal has been run by Mr Anibal Cavaco Silva, leader of the centre-right Social Democratic Party (PSD).

Mr Cavaco Silva first became prime minister of a minority government, part of the pattern of weak administrations and squabbling coalitions of the post-revolution.

He won an outright majority in 1987, and last month Portuguese voters renewed it, after he had taken the high risk of threatening resignation unless he got a clear majority. There is no doubt, therefore, that he now has a mandate to take the hard, strategic decisions to push Portugal towards the standards and performance of the best economies in Europe.

Public finances have been greatly strengthened. Total public debt is now around the EC average at about 65 per cent of GDP

The first PSD administration carried out significant structural reform. From 1987, the swollen public sector was slimmed, made more accountable, and an ambitious privatisation programme is now well under way.

The tax system has been overhauled and the capital markets liberalised; a previously state-run financial system has been thrust into the market-place and the government can no longer use it as a source of cheap funds.

Public finances have been greatly strengthened. The budget deficit has been cut from 9.4 per cent in 1986 to a still unsustainably high 5.6 per cent last year. Total public debt is now around the EC average at about 65 per cent of GDP, while total currency and gold reserves of over $21bn comfortably exceed the $16bn foreign debt.

Portugal's external performance has been impressive, with high export growth fed by high investment. But from last year the trade deficit started to widen, and this year imports are growing much faster than exports, sucked in by rising private demand and the strength of the Escudo. Indeed, in the first half of this year, merchandise exports contracted. This was because of recession in the UK and deceleration in Spain and Germany, Portugal's main markets, although market share has been either maintained or increased.

Yet this fall-off – a relative phenomenon, since GDP is still set to grow at around 3 per cent this year and next, against 4.2 per cent in 1990 – is not necessarily a bad thing, depending on what happens next.

A major constraint on Portugal's development is inflation, caused primarily in 1988-90 by the boom in demand. In September, retail prices were increasing at an annual rate of 10.2 per cent, a four-point drop on September 1990. But renewed pressure is building up, largely from wage increases caused by a very tight labour market. Demand is still buoyant: new car registrations, for instance, rose 10 per cent in the first nine months against the same period last year.

Nearly all of these were imports. The government since 1988 has followed a deliberate policy of hardening the escudo and keeping money as tight as it can, with interest rates on six-month treasury bills averaging 18.1 per cent. This has created liquidity problems by provoking speculative surges into a hard currency which earns uniquely high premiums in Europe.

The government has dealt with this by tightening controls on capital inflows, and forcing Portuguese borrowers to deposit the equivalent of 40 per cent of their foreign borrowings with the central bank at no interest.

Mr Antonio Borges, the Stanford-trained deputy governor of the Bank of Portugal, sees inflation as the major barrier to further European integration. "With our inflation rate," he argues, "we can't fully benefit from Europe, for example by having the free movement of capital."

Mr Miguel Namorado Rosa, chief economist at the leading Banco Comercial Portugues, says inflation has forced Portugal to shadow the exchange rate mechanism (ERM) of the European Monetary System without so far being able to enter it. "We have been bearing the cost of simulating being inside the ERM without the benefit of actually being in," he says.

The hard escudo policy is a deliberately chosen anchor for disinflation, and the flood of imports it permits is a deliberate if informal price control. Mr Borges adds that maintaining a strong currency has two further functions: to stimulate productivity, by removing the traditional exchange rate subsidy provided by competitive devaluations; and to manage capital inflows.

More than 8 per cent of Portugal's GDP comes from foreign direct investment – $3.6bn last year and likely to reach $6bn this year – and long-term portfolio investment. In Mr Borges' view, with a relatively balanced current account, too much of this would pile up uselessly in reserves. Instead, it is being used for imports, though a change in the policy mix is needed to switch the import mix away from consumer goods towards capital goods.

He advocates a major drive to deal with the budget deficit. This could be done through: higher tax receipts, because of reform; moderating public sector wages, which have been rising fast in real terms; postponing some capital spending; and reducing borrowing and the cost of borrowing through privatisation receipts. Output should, in Mr Borges' view, be maintained by lower inflation and interest rates bolstering investment.

Such a strategy would permit ERM entry probably in the course of next year. Timing would depend on whether the government wanted membership of the currency grid as an additional weapon against disinflation – the UK, after all, entered the ERM with a Portuguese inflation rate. It would also offer the perspective of joining the first wave of the EC's economic and monetary union in the late 1990s.

The risk of not following such a strategy is for Portugal to fritter away the competitive gains of the last five years. The tradeable goods sector can survive an appreciating currency by borrowing more cheaply abroad. But inaction could lead to pressure on the escudo and the unravelling of policy. "If you have high ambitions in terms of investment, [the deficit] is a problem," Mr Borges warns.

Portugal needs very high ambitions. Since EC accession, its per capita income has advanced from 53 to 56 per cent of the EC average. But the European Commission calculates that it would need to maintain a growth differential over its partners of 1¼ points per annum for 20 years in order to reach 90 per cent of EC average income per head.

Beyond macroeconomic policy, it also faces daunting structural problems. The textiles industry, agriculture and fisheries, which taken together account for about a quarter of GDP and half of all employment, are facing an historic shake-out. Commercial bankers confirm that they no longer lend to these sectors.

Agriculture is hopelessly uncompetitive and oversubsidised, even by EC standards. This is due to the proliferation of small land-holdings in the north, and to the inefficiency of of large co-operative farms, badly in need of modernisation, in the south. EC farm-reform proposals could partly stabilise incomes, ease the burden of early retirement for an ageing farm population, and reward Portugal's great forestry potential. Foreign investors, too, have begun to identify a potential in higher added-value sectors such as fruit and vegetables.

Textiles companies face having to compete on productivity and quality. Until now they have relied on low wages, a low entry price into an undercapitalised industry, and a cheapening currency. If the foreign investment boom continues, significant numbers of a young, 200,000-strong textiles workforce could be retrained in new jobs.

Inadequate training and management skills form a major bottleneck to development, and high foreign investment is helping here too. The government itself needs to strengthen secondary education, to ensure a much more equitable share-out of the fruits of development.

In absolute terms, nearly everybody has seen their real income increase, but the professions, services, and non-tradeable goods sectors have gained far more than most. There has been a big transfer of wealth from labour to capital – about 2 per cent of GDP, though this would have been much higher had not so many new jobs been created – and from unskilled to skilled labour.

But some 2m pensioners, for example, a fifth of the population and equivalent to half the workforce, have been largely left out of the ascent towards prosperity. The Portuguese felt good enough to give Cavaco Silva his new mandate, while raising the Socialist vote. They also let a wholly improvised pensioners party sail into parliament – perhaps a straw in the wind.

KEY FACTS

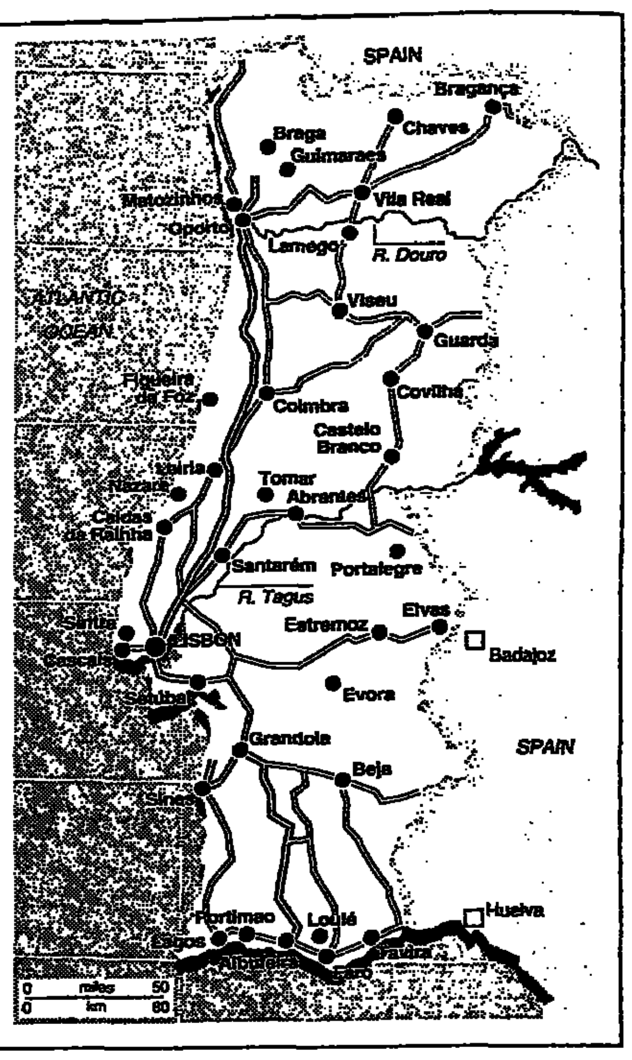
Area .... 92,390 sq km
Population .... 10.56m (mid-1991 estimate)
Head of State .... President Mario Soares
Currency .... Escudo (Es)
Exchange Rate ..... $1 = Es145.4; £1 = Es250 (October 22 1991)

THE ECONOMY

	1990	Latest*
Total GDP ($bn)	59.8	n.a.
Real GDP growth (%)	4.2	3.0
GDP per capita ($)	5,682	n.a.
Components of GDP (%)		
Private Consumption	62.9	
Total Investment	28.7	
Government Consumption	17.0	n.a.
Exports	36.4	
Imports	-45.0	
Consumer prices (% change pa)	13.4	†10.2
Indst'l production (% change pa)	9.1	2.9
Unemployment (% of lab force)	4.7	4.2
Reserves minus gold ($bn,Dec)	14.5	16.7
M1 growth (% pa)	13.8	12.6
Discount rate (% pa,Dec)	14.5	14.5
Stock mkt (% change over year)	-35.1	-3.6
Gross external debt ($bn,Dec)	18.6	n.a.
Current Account Balance ($bn)	-0.2	-0.8
Exports ($bn)	16.4	16.5
Imports ($bn)	25.0	26.0
Trade balance ($bn)	-8.6	-9.5
Main Trading Partners (1990, % by value)	Exports	Imports
(West) Germany	16.7	14.3
France	15.5	11.5
Spain	13.3	14.4
UK	12.3	7.6
EC	73.7	69.1

***1991 figures:**
GDP growth, 1991 estimate/ Industrial production, March/ Discount rate, May/ Unemployment, June/ Reserves, July/ M1 growth, August/ †Consumer Prices, nine months to Sept/ Current Account, 12 months to June/ Other trade figures, 12 months to July/ Stock market index (Lisbon BT&A) % change Jan 1 to Oct 23

Sources: IMF, OECD, Datastream, Economist Intelligence Unit



Politics: **Patrick Blum** foresees a vacuum in the democratic process

Opposition left in disarray

THE SPECTACULAR victory of Mr Anibal Cavaco Silva, Portugal's prime minister, in last month's general election was a watershed in Portuguese politics.

For the first time, not only since the 1974 revolution, but since the foundation of the Portuguese Republic 81 years ago, a democratically elected political party has won two consecutive absolute majorities.

By the time Mr Cavaco Silva completes his new four-year term of government he will have been prime minister for 10 years, the first two as head of a minority government.

His victory has important consequences. First, it ensures political continuity and stability. With more than 50 per cent of the vote and 135 deputies in the new 230-seat national assembly, the ruling right-of-centre Social Democratic party (PSD) is installed for the next four years.

For the opposition, the immediate future is likely to be dominated by recriminations and infighting. The size of the PSD's victory has left the other parties in disarray, and they are unlikely to have much impact in the foreseeable future.

This creates a potential vacuum in the democratic process, offering dangerous hegemonic temptations to the government; it could also push Mr Mario Soares, the socialist president, into the role of substitute opposition, neither of which would be healthy for Portuguese democracy.

The Socialist party (PS) is the biggest loser. It trailed behind with less than 30 per cent of the vote, winning 72 seats.

Mr Jorge Sampaio, the Socialist leader, can claim some success in raising the party's standing since the 1987 general election when it won barely 22 per cent of the vote, but this is unlikely to convince his critics. He faces several challenges to his leadership, and his future will be decided at a special party congress in March. In the meantime, the PS appears set on a course of self-inflicted damage, as various contenders for the leadership openly jostle for positions.

Either way, Mr Sampaio will have a job maintaining his authority over a party that has a tradition of infighting. His critics say he has been an ineffectual leader, conveniently forgetting that Mr Sampaio ensured the PS a stinging victory over the ruling party in local elections in 1989, when it won Lisbon, Oporto and several other cities.

Circumstances were different then: the government was suffering from a mid-term downturn in popularity. A general election addresses broader questions; but that defeat forced a sharp reappraisal in the government's approach. Two controversial ministers were sacked, and Mr Cavaco Silva took a strong hand in efforts to improve his government's image.

For the general election, Mr Sampaio, a soft-spoken intellectual, was at a disadvantage from the start in what became a highly personalised contest, and he was forced on to the defensive by Mr Cavaco Silva's repeated warnings that instability and chaos would follow if he wasn't re-elected.

There are deeper reasons for the socialists' defeat. There are few real differences on key issues between the two main parties. Socialist policies on the economy and the European Community are almost indistinguishable from those of the ruling party.

The PS sought to reconcile moderate policies with traditional socialist concerns about care issues – health, housing, education, and social inequalities – but its warnings of hard times ahead fell on deaf ears. Voters preferred Mr Cavaco Silva's more assertive and confident approach, identifying with his message of success.

The other parties fared no better. The hard-line Communist party (PCP) saw its vote fall below 9 per cent – its lowest since the revolution. The party's influence has been declining steadily, partly because of changed circumstances, and partly because of its own ideological rigidity. Its initial support for the coup to oust Mr Gorbachev in the Soviet Union, just as the campaign was getting under way, caused howls of protest inside the party and left many supporters disillusioned.

The conservative Christian Democrat CDS barely maintained its 4.4 per cent score of 1987, and its leader has resigned. It also faces internal strife over the succession. The centrist Democratic Renewal party failed to win any seats and faces extinction, having lost the centre ground to the social democrats and the socialists.

For the first time, a democratically elected party has won two consecutive absolute majorities – offering hegemonic temptations

With the opposition so weakened, Mr Cavaco Silva has a free hand to continue with his own brand of liberal market policies. Until now, these have consisted mainly of opening up the economy to external market forces, encouraging private initiative and foreign investment, and privatising companies nationalised in 1975, along with cautious step-by-step reform.

The impact of a strict monetary policy, introduced in 1989 to cool the economy and control inflation, and measures aimed at reducing the budget deficit, has been relatively mild. With unemployment at around 4.5 per cent – the second lowest rate in Europe, after Luxembourg – most Portuguese feel better off today than four years ago.

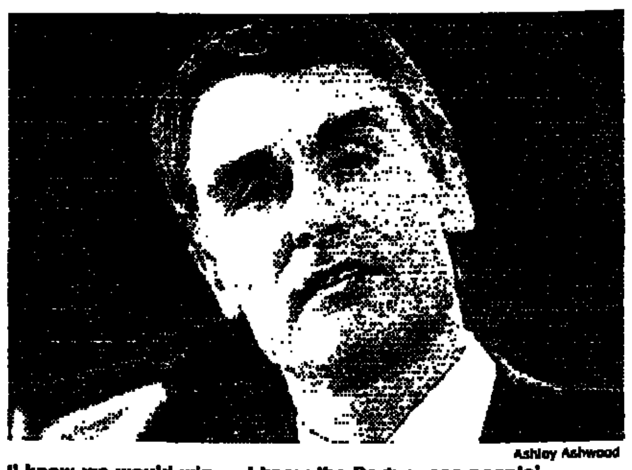
The new government will have to decide whether to continue with the past gradualist approach or adopt tougher measures to bring inflation down more quickly. Mr Cavaco Silva has promised that there will be no austerity, but that does not preclude tougher measures over the next 12 months to deal with inflation once and for all.

This would require an agreement on wages, some cuts in public expenditure, and possibly an upward adjustment of value added tax, bringing it more into line with rates in the rest of Europe. None of this is likely to lead to political turmoil.

Discontent among farmers, who fear the impact of liberalisation under EC farm reform, may cause more problems. Portugal could witness more unrest of the type that erupted last July, when thousands of small farmers from the centre and the north of the country ran their tractors across roads, blocking the summer traffic, in a series of guerrilla actions outside the control of the established farming unions. More strikes are likely in the public sector, but these have tended to be short-lived and ineffective, while the private sector remains almost strife-free.

Sustained by the legitimacy of his clear election victory, Mr Cavaco Silva will be in a strong position to deal with any trouble. Paradoxically, this could be one of the biggest dangers for the new government, which could be tempted to dismiss all opposition views as irrelevant.

Mr Cavaco Silva says he wants a constructive dialogue with the opposition, though this will be difficult as long as the opposition remains fractious and divided. Both sides will have to share the responsibility of maintaining a democratic dialogue.



'I knew we would win... I know the Portuguese people' Ashley Ashwood

Profile: **Anibal Cavaco Silva**

Consistent but not inflexible

THERE IS something unusual for a politician about Mr Anibal Cavaco Silva, democratic Portugal's longest serving prime minister.

Not only does he always do what he says he will do, but he knows what he wants and rarely changes his mind, though he is not inflexible.

Once convinced of an argument, he can adapt quickly and if need be ruthlessly – as was demonstrated by the sacking almost two years ago of two of his closest collaborators demonstrated. Consistency, however, is the predominant trait.

In the early days of his first majority government, elected in 1987, Mr Cavaco Silva argued against impatient members of his ruling Social Democratic party (PSD) who wanted to run a campaign to denigrate Mr Mario Soares, the Socialist president, in order to prepare the ground for a PSD candidate in the 1991 presidential elections.

When the issue came up again in 1990, Mr Cavaco Silva stood firm, and his reasons remained basically the same: cohabitation with the Socialist president worked, the government governed, and there was no need to create an artificial conflict that would be against Portugal's interests.

So the PSD did not run a candidate, and the Socialists who were backing an unbeatable Mr Soares were disappointed, as they had hoped a PSD defeat at the hands of Mr Soares would lift their chances in general elections later in the year.

Similarly, in an interview with the FT in 1989, Mr Cavaco Silva made the following forecast:

"In 1991, I will have been prime minister for six years, but I am convinced that my party can win again an absolute majority in the elections... It is fundamental for the country [and] I'm not going to give up easily... I think the Portuguese people will vote again for political stability... Portugal cannot afford the luxury of political instability."

Almost word for word, this was Mr Cavaco Silva's simple, direct and successful message in the campaign for last month's general election.

With hindsight, it is easy to say that his extraordinary victory was predictable. The opposition proved weak and failed to present a coherent alternative, but at the time there was no guarantee that he would win another absolute majority. Nevertheless, to the discomfort of some in his own party, Mr Cavaco Silva raised the stakes by saying he would refuse to lead anything but a majority government.

"I knew we would win. I know the Portuguese people," he said shortly afterwards. Such self-confidence has fed criticisms that he is arrogant and authoritarian; but be that as it may, until now he has been right and the pundits wrong.

The prime minister owes some of his reputation to his impatience with long-winded discussions. He is rarely seen in the national assembly (parliament), where debates will go on and on at times with little practical purpose. He shuns journalists and sycophants alike, and often appears awkward on public occasions. His physical appearance, tall and taut, reinforces an impression of austerity, though close collaborators say he has a great sense of humour and enjoys the endless speculation that fills pages of the Portuguese press, trying to guess the source of each new rumour.

His occasionally dry manner and impatience with criticism are not uncommon characteristics in a man who made his way up the social ladder through hard work rather than privilege. From humble origins – his father was a petrol-station attendant – he paid for his own education and self-improvement, and did post-graduate studies at York University.

He did various jobs at the Bank of Portugal (central bank), rising to the position of planning director, as well as developing a parallel career as a respected economics professor. In 1979, he was appointed finance minister in the first government of Mr Francisco Sa Carneiro which lasted barely 10 months. Mr Cavaco Silva continued as finance minister for another four months in the second Sa Carneiro government, which ended with the prime minister's sudden death in a plane crash in December 1980.

After that, Mr Cavaco Silva returned to the Bank of Portugal. In 1985, he won the Social Democrat leadership, and in October that year formed his first minority government after the PSD had won just under 30 per cent of the vote in a general election. Eighteen months later, his government fell after losing a censure motion in the national assembly. In the general election that followed in July 1987, Mr Cavaco Silva won his first absolute majority.

These were important and formative experiences. "I was minister of finance in a coalition government. I was prime minister of a minority government, and I have been prime minister of a government with an absolute majority. I have the experience [of different governments], and there is a real difference," he said in 1989.

No one doubts his commitment to make Portugal a modern European country that is proud of its heritage and able to make its own contribution in the wider international arena. Mr Cavaco Silva shows more than just a touch of national and personal pride in what has been achieved in recent years.

In some ways he has been lucky. International circumstances favoured Portugal, and the country was ripe for change, but he must take the credit for recognising and seizing the opportunities better than any other politician, though judgment on Mr Cavaco Silva's rightful place in Portugal's history books must wait another four years.

Patrick Blum

PORTUGAL 4

One of Europe's oldest nation-states will shortly hold the rotating six-month presidency of the EC for the first time

Structural Funds debate will provide the acid test

Joao de Deus Pinheiro: the presidency should identify priorities

THE EC's 12-starred blue flag flutters in the Atlantic breeze atop the European Commission office in Lisbon. The new 10-floor building has a commanding view over the old city of terracotta and tiled houses, brightened by patches of bougainvillaea as it slopes down to the river Tagus, from which Portugal launched its voyages of discovery to the New World, Africa and Asia.

From accession to the Community in 1986, one of Europe's oldest nation-states has rediscovered and reintegrated into a continent of which historically it has felt a peripheral part. Now, from January next year, it will hold the rotating six-month presidency of the EC for the first, foreseeably nerve-wracking, time.

In Brussels, Portugal has celebrated by staging a two-month series of exhibitions, theatre, and concerts to offer its EC partners a glimpse at its rich history and artistic achievement. In Lisbon, meanwhile, the government of Mr Anibal Cavaco Silva has been training intensively some 1,500 senior and middle-ranking civil servants for the presidency, a task it is approaching with a mixture of trepidation and modest confidence.

Trepidation, because it faces managing the EC's affairs at a turning point in Community history, with a crowded agenda with ample scope for conflict. This will include the aftermath of the economic, monetary and political union negotiations, if these end in agreement at Maastricht next month; or, if they do not, a daunting aftermess. Lisbon's six-month watch will also have a contentious and radical reform of the Common Agricultural Policy; reform of EC finances; completion of the Single Market or 1992 programme; the gathering debate on EC enlargement; as well as a probably continuing crisis in Yugoslavia, and the search for an EC policy towards a disintegrating Soviet Union.

But confidence, too, because after centuries of developing towards the sea with its back to its historic adversary Spain, and believing, like its 600-year old ally the UK, "that Europe was somewhere else" (as one Portuguese EC diplomat puts it), Portugal feels increasingly relaxed inside the Community. It has prospered as one of the Twelve and has found that its voice carries a weight beyond its modest size and stage of development. It is not much of an exaggeration to say that EC membership has helped Portugal to rediscover its confidence as a nation.

"The EC to us means democracy. It means development, new roads, new projects and new investment. It is very popular. The Community is almost seen like some kind of Santa Claus," says the same diplomat.

"It's no longer easy to find a pessimist in Portugal," effuses a senior banker. "You can, but he's a blind man."

EC accession brought with it "a revolution of attitudes towards competition," says a senior economist at another Portuguese bank. "Much more important than the new roads and new markets, than more foreign investment and more tourism revenue, was the new consciousness of Portuguese entrepreneurs and workers that the free movement of goods and services required this new attitude, a new economic rationale."

Membership is transforming a previously closed, tiny economy into a launch-pad towards the richest market in the world. Portugal has started the long haul of catching up with the rest of the EC: in 1986-90, according to the European Commission, Portuguese per capita income rose from 53 per cent to 56 per cent of the EC average.

This was in part made possible by generous access to the Ecu63bn Structural Funds, doubled for 1988-93 to enable the EC's poorer members to bolster their backward regions and prepare for the single market. By 1993, the Commission calculates, Portugal will be getting the equivalent of 3.7 per cent of its GDP in aid from Brussels.

One of the big set-pieces of the Portuguese presidency will be a second reform of the Structural Funds – and of the EC's over-stretched budget in general – which will probably require a special summit around March. The Funds are likely to be further increased by 50 to 70 per cent, to help the laggards prepare for economic and monetary union (Emu) later in the 1990s.

Management of this debate will be seen as one of the acid tests of the presidency, because Portugal will have to combine its acute national interest in the outcome with an ability to conciliate the very divergent views of its partners on the extent of fiscal transfers within the Community.

"The presidency's job is to identify the priorities of the Community," says Joao de Deus Pinheiro, the foreign minister, who it is assumed Mr Cavaco Silva will reappoint to head the EC Council of Ministers in Portugal's name.

Mr Pinheiro precedes any discussion of the priorities of Portugal's presidency with one clear message. "We are trying to have an efficient presidency," he insists. "That's our main task." Success in this limited aim would be no mean feat for any of the Twelve next year, let alone for a country of Portugal's size and resources.

Mr Cavaco Silva himself has set great store by the presidency, because, an official says, it will raise further the higher profile that Portugal has achieved through the EC. Though Europe hardly figured in his successful re-election campaign last month, he is said to have mastered most of the complex issues now on the EC's table. Possibly to foster political cohesion at home, he has also set up a committee of 20 "wise men" as a personal ideas bank for the presidency.

After centuries of developing towards the sea, Portugal feels relaxed inside the Community

While some officials say Portugal will continue to rely heavily on the often like-minded UK, which succeeds it in the presidency from July next year, Mr Pinheiro insists that he and his colleagues have been in close touch with Spain, France, the Netherlands, the UK and Luxembourg, and analysed their presidencies.

"I concluded," he says, "that it is a great mistake to [allow yourself to] be flooded with one subject."

Though Mr Pinheiro was too polite to say so, the inevitable comparison is with the current Dutch presidency, in which foreign minister Hans van den Broek has been almost exclusively preoccupied with the Yugoslav crisis. One consequence, arguably, was that ambitious Dutch plans for European political union, drawn up by his deputy for Europe, Mr Piet Dankert, were voted down humiliatingly on September 30.

Mr Pinheiro favours a devolved, task-force approach, leaving him a full purview of all subjects. It was his deputy, for instance, Mr Jose Manuel Durao Barroso, who conducted Portugal's successful mediation to end Angola's civil war. A chemical engineer by training, Mr Pinheiro says: "I think of this structure as an atom, in which the foreign minister is the nucleus, able to review all the dossiers."

One Portuguese EC official argues that one of the main effects of the presidency will be to raise the country's consciousness of Europe and its expectations of Portugal's ministers.

"We devote little thought to the more general problems of constructing Europe," he says. "Ministers go to Councils, they come back, and people ask them, 'What did you get for Portugal?' Now they're more likely to be asked, 'What did you get for Yugoslavia?' or 'What role is Nato now going to play in European defence?' It's going to mean a big difference."

David Gardner

Foreign investment offers a chance to upgrade the economy

Auto giants point the way

EC MEMBERSHIP has transformed Portugal from a small, closed economy of 10m people into a low-cost launching pad into a market of 320m consumers.

"From the moment we integrated with the EC, companies started coming here to aim at the Community rather than the Portuguese market," says Mr Miguel Athayde Marques, vice-president of ICEP, the foreign-trade institute which handles foreign investment.

Foreign investment is offering Portugal an unrivalled opportunity to upgrade its economy to EC standards, to compete on the basis of productivity, quality and innovation, rather than a low-wage differential which is gradually being eroded by European integration. All the signs are that Portugal is taking full advantage.

Direct foreign investment has seen a 22-fold increase since accession in 1986 to last year, rising from $164m to $3.6bn in 1990. This year, following Ford and Volkswagen's decision to build a $2.8bn facility at Setubal to build a multi-purpose vehicle or "people carrier", foreign capital is expected to put $6bn into Portugal.

As a portion of gross domestic product, foreign investment rose from 0.6 per cent in 1986 to 3.7 per cent last year. Over the same period, the EC's share in this investment has risen from 57 to 73 per cent of the total.

As a portion of GDP, foreign investment rose from 0.6 per cent in 1986 to 3.7 per cent last year

EC membership has been decisive in two other ways. Portugal, as a laggard in EC development, is entitled to a big share of the Brussels regional-aid grants, or Structural Funds, which is due to rise to 3.7 per cent of GDP by 1993, and is likely to stay at high levels for at least five years thereafter. This has enabled Portugal to transform its road and telecommunications networks and integrate the country: Lisbon and Oporto this year were connected by motorway for the first time.

Second, the Structural Funds have allowed Portugal to offer generous incentives and subsidies to foreign investors, large slices of which are devoted to training.

Three recent manufacturing investments in Setubal are good examples. GM's Delco Remy division set up a $55m plant to make electronic ignition systems and received a 45 per cent subsidy; Ford got a 52 per cent subvention for its $20m car audio plant; and Valmet of Finland got a 36 per cent subsidy for its $24m joint venture to make tractors.

The Ford-VW plant, Portugal's largest single foreign investment, contains incentives worth about Es120bn of the Es453bn total: Esc90bn of this is a cash subsidy, 70 per cent of which will be paid for by the EC.

The state-of-the-art technology plant will create directly 4,700 new jobs and perhaps a further 10,000 indirectly. It could generate about a quarter of exports and cut the trade deficit by 17 per cent, according to ICEP projections.

But as Mr Antonio Borges, deputy governor of the Bank of Portugal, points out, "what we want is the qualitative change" brought by these kinds of investments, "more than jobs and exports". He says "three good investments a year have a big impact" in terms of training and innovation, and that the Ford-VW plant "will create a huge demand for engineers". About 1,100 of the new jobs will be for senior technicians and engineers with degrees. All this transforms the skills of the Setubal industrial tradition, based on the blighted sectors of shipbuilding and heavy engineering.

Portugal won the Ford-VW investment in stiff competition with neighbouring Spain and east Germany, both of which could match Portuguese incentives through the Structural Funds. Portugal appears to have been selected for several additional reasons, including: the healthy investment climate and high growth rates; low operating costs as well as cheap wages at about two-thirds of EC levels; a pool of skilled, adaptable labour in a strike-free environment; proximity to Lisbon and an Atlantic port; and the strong emphasis on training.

Portugal won the Ford-VW investment in competition with neighbouring Spain and east Germany

Mr Althayde Marques emphasises "the cost-effectiveness of labour rather than simply the cost: we have comparable levels of productivity as elsewhere in the same multinationals." In the Ford-VW decision, he adds, "low wages have to be put into perspective, because this is a very capital-intensive project."

ICEP also aims to capture as much of the upstream spin-off from the plant, and to maximise local content, by setting up a joint venture with Ford-VW to connect up components suppliers, often by promoting joint ventures.

ICEP is currently reviewing six big new projects, including substantial investments by Samsung of South Korea in consumer electronics. It is trying to guide the larger of these to the north, to soak up some of the workforce from the increasing number of textiles companies that are going bust.

Similarly, a planned, under-$100m investment by PepsiCo in crisp-production is being targeted on farmers, facing the

Continued on facing page

Prosperity has spurred the banks to expand their networks, but . . .

The palmy days are ending

AN EVENTFUL year for Portugal's banks brought the first shots in what is likely to become a more intense battle for funds and customers.

Branch networks expanded spectacularly; business boomed, especially in the area of personal credit; and profits rose accordingly. More banks and insurance companies were privatised, or partially sold, heralding a new phase of restructuring for the financial sector.

Results for the whole of 1991 may not be as sensational as for 1990, when the total cash-flow for all banks operating in the Portuguese market rose by 69 per cent and profits by 64 per cent; yet most banks continued to show rapid advances in the first six months, and expect good results for the year.

For five years, banks have benefited more than any other sector from the country's high growth rate and from the government's drive to liberalise the economy. Banking has been opened up to private initiative; new private banks have been able to take advantage of a growing demand for financial services, and have gained an increasing share of the market.

The outstanding example is the Banco Comercial Portugues (BCP), a commercial bank established in 1985 as an initiative of mainly northern entrepreneurs. It is now Portugal's second-best capitalised bank, and sixth largest in terms of assets. Other banks and specialised financial institutions followed.

After a hesitant start, even the state-owned banks – burdened by bad debts, overstaffed and chronically inefficient – slowly began to adapt to the new conditions. The twin pressures of integration within a single European market in financial services and the prospect of privatisation helped. The state-owned banks have fought back, sharpened their operations and improved their competitiveness.

As the economy expanded, consumption accelerated and demand for credit grew, helping to push up interest rates. Margins were high, with interest paid by borrowers for loans between eight and 10 percentage points above that paid to depositors. But the days of relatively easy money for the banks may be numbered. Competition has begum to squeeze margins and increase costs.

Mr Alexandre Vaz Pinto, president of Banco Espirito Santo e Comercial de Lisboa (BESCL) and of the Portuguese Bankers' Association, says the average cost of funding for banks has risen by at least two percentage points this year. "Margins are falling, but the full effects will only show next year," he predicts.

Average interest rates for borrowers are around 22.5 per cent, falling to 19.5 per cent for prime customers, while the banks are now paying around 16 per cent gross for funds. Most clients, however, still pay the top rates, and considerably more for consumer credit, but the trend is clearly for bank margins to narrow as banks compete with offers of high-yield schemes and a wider variety of products and services to attract new customers.

Alexandre Vaz Pinto, president of BESCL, says the effects of falling margins will show next year

Some bankers believe tighter margins will have a beneficial effect. Mr Francisco Veloso, president of the private Banco de Comercio e Industria (BCI), says: "Margins are coming down, but it's good for efficiency. We prefer to make less profit than to have bad assets. People are more concerned now about risk."

Encouraged by their recent prosperity, the banks are rapidly expanding their branch networks. Pent-up demand exploded after the central bank liberalised conditions – at a price – for setting up new branches in 1990. By the end of the year, the number of branches throughout the country had risen by 250 to 1,991. Mr Antonio Borges, deputy governor of the Banco de Portugal, says close to 500 new branches were authorised by the bank in the 12 months to September this year. This brings the total number of bank branches close to what some analysts regard as the optimum capacity for the Portuguese market.

Bankers say expansion costs are balanced by productivity gains and high profits; but smaller specialised institutions, which had played an important role as innovators in the early days of liberalisation, are slowly being crowded out as the bigger banks extend their activities across a widening range of services.

The difference between retail and merchant banking is fast disappearing. All the main commercial banks have developed substantial investment banking activities, while banks whose main or only business was directed to the corporate sector have moved into the retail sector, either through natural expansion, as in the case of BCI, or by acquiring a privatised bank.

Mr Artur Santos Silva, president of Banco Portugues de Investimento (BPI) – which bought Banco Fonsecas & Burnay, a medium-sized commercial bank, when it was privatised in July – foresees big changes in the financial sector, with more acquisitions and mergers, though he does not believe this will mean the end of the "boutiques" with their special market niches.

"The logic is towards greater universality," he says. "I don't think there'll be room for everybody, but there will be room for winning strategies, which is something else."

The central bank seems to agree. It is currently changing some of the regulations to make it easier for banks to merge or own another institution.

In preparation for the new challenges, BCP, Portugal's most dynamic private bank, is planning another strong phase of expansion next year while at the same time upgrading existing operations to improve productivity and synergies between the various parts of the BCP group with an emphasis on service quality.

Mr Jorge Jardim Goncalves, BCP president, says the banking system will go through big adjustments in the next two years. "The new privatised banks will be developing new strategies and new structures. Banking groups will rationalise their operations with more logical connections between their different activities and holdings. It needs to be done, but it will be costly," he says.

In the meantime, the battle for market share began in earnest this year. Several unusually hard-hitting advertising campaigns have been designed to lure dissatisfied customers away from the big state-owned banks, with enticing offers of high interest rates on deposits and better service. It is too early to tell whether these appeals will succeed in drawing many clients away from their traditional banks, but they do reflect the changing environment.

Nevertheless, Mr Borges fears that success in recent years could encourage banks to believe that the good times will roll for ever. "There has been a temporary surge in profits, but these could well go down," he warns.

Patrick Blum

A card for all reasons

THE HOLE-in-the wall Multibanco system, which appeared recently, provides a range of services that most British bank customers would envy.

A single card from any of Portugal's banks gives instant access to cash at any time of the day or night from any cash-point machine. With instructions in Portuguese and English, the machine also lets you pay many of your bills.

A new development allows you to buy a rail ticket for main inter-city destinations, the price being debited from your account automatically.

□

You can ask for a list of your latest transactions – which comes out as a wallet size print-out – or get an up-to-date statement of the balance of your account.

Another service linked to the Multibanco system that is becoming increasingly widespread is direct debit at point of sale. In a smart perfumery or clothes shop, or in most of the larger supermarkets, you can pay directly with your Multibanco card, by punching in on a small hand-held set your secret code number and the amount to be debited.

□

But there are drawbacks. There are still fewer than 1,200 Multibanco outdoor machines, while new terminals are being installed faster than the telecommunications company can establish connecting lines. Employees can also forget to refill the machine with notes.

Nor will it give you money if you have exceeded your overdraft limit – in which case, the small colour screen displays a cartoon picture of a man with a sad face, shoulders raised and arms extended in desolation. **PB**

Privatisation: foreign acquisitions cause resentment

Critics say rules are broken

BY ANY arithmetical measure, Portugal's privatisation programme is proving an unequivocal success.

Thirteen major companies have been wholly or partly privatised since April 1989, raising a total of Es364bn ($2.5bn), 15 per cent above the global base price. More than 100m shares have been acquired by 212,800 investors. If demand could have been satisfied, the state would have sold more than double the equity on offer.

The government is also accomplishing most of the wider objectives of the programme. According to Mr Miguel Beleza, the finance minister, these include "increasing the efficiency and competitiveness of companies, easing the often rather heavy-handed intervention of the government in the economy, and reducing public indebtedness."

Eighty per cent of the proceeds from privatisations has been used to amortise the public debt, and the remainder channelled into improving the balance sheets of companies still in the public sector. Most privatised firms are showing clear indications of improved performance.

Yet despite the rosy picture evoked by this roll-call of successes, the programme has become enveloped in a cloud of controversy and criticism. That the opposition Socialist party should accuse the government of "scandalous illegalities" and demand an audience with Mr Beleza to present a 10-point list of complaints, was perhaps not surprising, particularly in the run-up to a general election.

But when the privatisation process becomes a focus of censure for such disparate forces as the conservative Confederation of Portuguese Industry, the Communist party, former ministers, industrial entrepreneurs, trade unions, university economists, stockbrokers and small investors, the government clearly faces a problem.

Privatisation will resume this winter, with the second stages of the sale of the country's two biggest commercial banks and the first tranche of the oil company Petrogal, Portugal's largest commercial enterprise. Sales of insurance, road transport and cement companies are also scheduled.

Again, the government will be confronted with the issues that have animated critics since 1989, when it began the ambitious programme to denationalise some 60 wholly state-owned companies, as well as hundreds of enterprises in which the state has a large stake, in less than a decade.

By far the biggest source of controversy is foreign acquisition. The government has made it clear that foreign control of privatised companies will not generally be authorised. In all but two privatisations, foreign participation has been limited to between 2 and 35 per cent.

This is naturally unpopular with foreign investors; but what is proving even more unpopular with their Portuguese counterparts is that these limits have rarely been observed.

"It is not an exaggeration to say that the rules on foreign purchases have never been effectively enforced," said a Lisbon stockbroker. "The government's understandable objective is to raise as much as it can from privatisation, and it is prepared to accommodate the rules on foreign acquisitions to do so."

In one of several examples, the French insurance group UAP is widely acknowledged to have won control of the privatised insurer Alianca Seguradora, despite a limit of the 30 per cent on foreign ownership. A common way of sidestepping the limit is though an understanding with a Portuguese company in which the foreign investor owns only a minority share.

Domestic critics have called on the government to lower prices, provide long-term loans, create fiscal incentives and ease restrictions on foreign loans, to ensure that Portuguese investors have the financial capacity to acquire privatised stock.

The government says that with more than Es4,000bn ($27.5bn) saved in deposit accounts, the Portuguese do not lack sufficient capital for the most ambitious privatisation programme. Nevertheless, it has has pledged support to maintain what it considers to be strategic enterprises or sectors under Portuguese control.

However, Mr Beleza has acknowledged that the control of companies will, in the long run, be decided in the stock market, not by administrative measures. This is perhaps an indication that, in the words of one leading foreign consultant on Portugal, "we can expect the authorities to make comforting and chauvinistic noises about deterring foreign investment in privatised companies, but they are unlikely to make any determined practical efforts to back the promises up."

Potential investors deplore the fact that the authorities refuse to sketch out an overall calendar for the programme or to list the order in which companies will be sold. The government responds that the timetable is too dependent on the state of the markets, progress with restructuring companies and unforeseeable external events for it to announce more than a handful of planned privatisations at a time.

The programme is also progressing too slowly for many critics. Certainly, the government has rarely achieved its targeted pace of a privatisation a month. And delays, once projected privatisations have been announced, have become the rule rather than the exception. This can be costly for companies and for the taxpayer, as evaluations become dated and have to be repeated or revised if enterprises are not to be undersold.

In their defence, ministers can point fairly to a number of extenuating circumstances, including difficulties in removing constitutional barriers to denationalisation, the effect of the Gulf war on the capital market and the interruption of an election.

Perhaps inevitably, considering the impact of a series of major privatisations on a small economy dominated by the state, the programme has provoked a gale of charges and countercharges of irregularities, shady deals, rule-bending and favouritism. Accusations include from the breaking of banking-secrecy laws, the purchase of major companies entirely on credit, and buy-back agreements with employees and small investors that pervert the philosophy of "people's capitalism".

The government has consistently denied any illegalities, and no charges have been upheld.

Mr Beleza's assertion that privatisations are helping the development of Portugal's capital markets is also challenged as being only part of the picture. Although the programme has dramatically increased the number of shares and shareholders, the process is – albeit for sound reasons of management – geared to the formation of stable cores of shareholders with little subsequent trading to help stimulate the market.

In addition, the confidence of small investors was shaken after it had emerged at an annual general meeting in March 1991 that the 1990 profits of the brewing company, Centralcer, were more than five times lower than had been forecast in a privatisation prospectus issued a month before the company was sold in November 1990. Irate investors, who were not paid dividends, are calling for government compensation.

Peter Wise

■ Expected forthcoming privatisations

Petrogal	oil
Banco Portugues do Atlantico (BPA)	second stage
Banco Espirito Santo e Comercial de Lisboa (BESCL)	second stage
Uniao de Bancos Portugueses (UBP)	
Banco Pinto & Sotto Mayor (BPSM)	
Mundial Confianca	insurance
Companhia de Seguros Imperio	insurance
Rodoviaria Nacional (RN)	road transport
Companhia Geral de Cal e Cimento (SECIL)	cement
Cimentos de Portugal (CIMPOR)	cement

A crisp solution for agriculture

Continued from facing page

worst crisis in agriculture for generations. The project would include contracts with thousands of small farmers, providing them with the technology to produce high-quality potatoes and diversify out of a tomato mono-culture at a time of great price pressure. Indeed, foreign investment is one of agriculture's few options, particularly in the higher added-value sector. Thierry Roussel's Plein Sud group, for instance, is putting $100m into off-season fruit and vegetable production in the southern Alentejo, and flower production in the north.

More modest investments such as these, and including some 3,500 projects last year worth less than Es10bn, are what provide critical mass and density to Portugal's industrial fabric, in ICEP's view. The institute can thereby reserve most of its subsidy armoury to "select the best projects, by offering incentives, or not, according to the extent technology is being transferred and skills internalised," says Mr Athayde Marques.

Privatisation is an added hook for foreign investors *(see the article on this page)*. Ceilings on maximum foreign stakes in privatised companies are being eased, and international interest is likely to pick up. This is especially so, because Portuguese entrepreneurs usually lack the capital to compete.

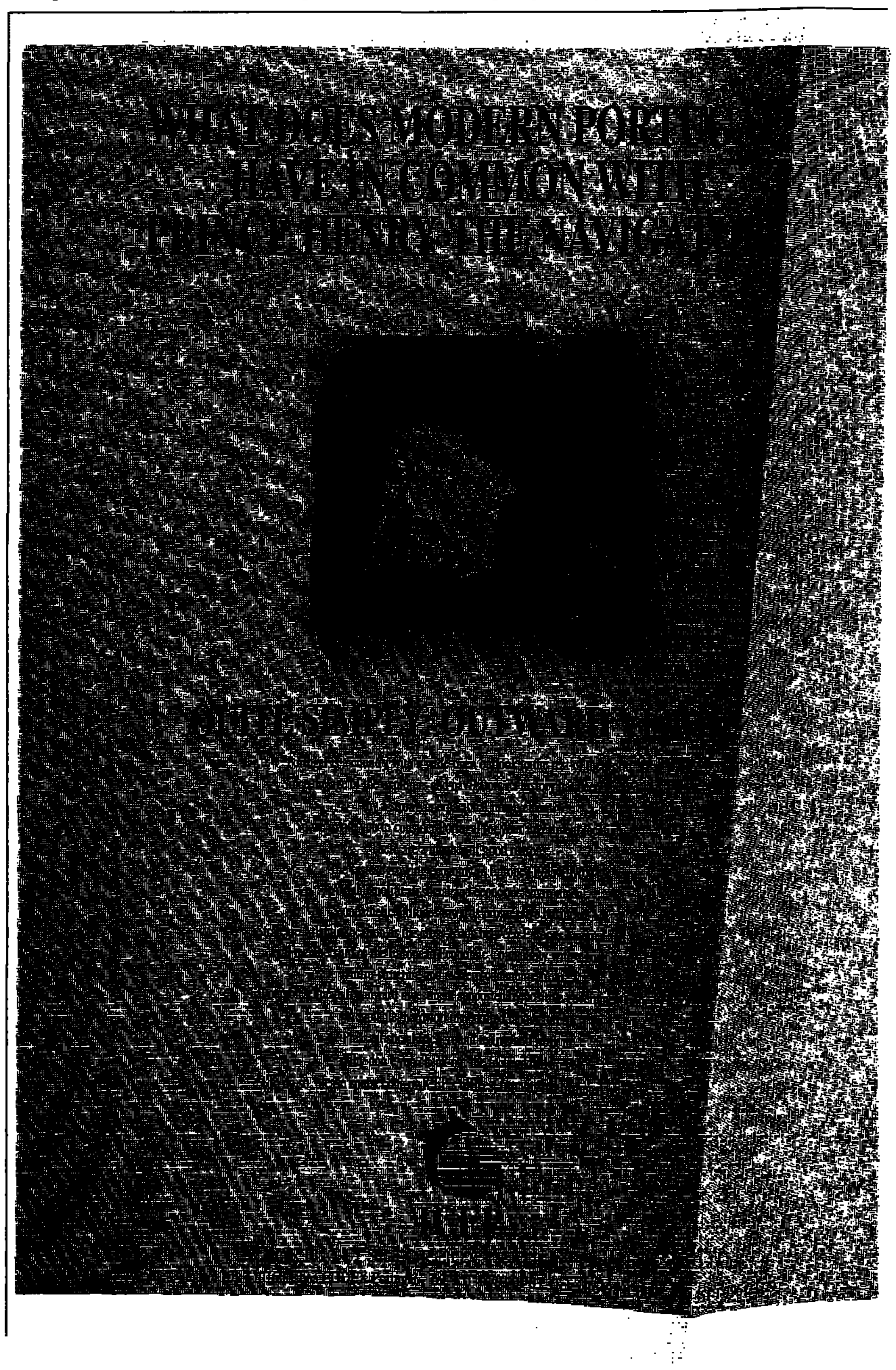
There are a few isolated signs of Portuguese resentment of the sheer volume of foreign investment, partially in banking, because of historic suspicion of the Spaniards. At the same time, some observers already perceive symptoms of Portugal's becoming a branch economy.

There are positive aspects to this. For example, multinationals are having to compete for labour through higher wages and training, and by shuffling personnel around their groups they are slowly upgrading the managerial skills which is one of Portugal's desperate needs.

But in the medium-term, points out Mr Miguel Namorado Rosa, chief economist at Banco Comercial Portugues, "an increasing portion of Portuguese exports will be decided on an intra-company basis", which Portugal will be increasingly unable to influence.

In order to retain a large concentration of foreign investment, therefore, Portugal will, over the next 10-20 years, have to reach a point at which it competes on productivity, as wages increase. Mr Namorado Rosa points to the example of Belgium, which from the 1960s grew into a multinational headquarters, and survived the increase in wages to consolidate its position as a growing, export-led economy.

David Gardner



PORTUGAL 6

Patrick Blum on the uncertain future of the north, where . . .

Old sectors face a crisis

AMONG PORTUGAL's five major regions, the north faces some the most difficult problems.

It covers roughly a quarter of the country and, with 3.6m inhabitants (about a third of the population), plays a crucial role in the economy.

In 1990, the north employed about 38 per cent of Portugal's workforce, and contributed almost one third of gross value-added produced. It has the highest concentration of small and medium-sized companies in Portugal, and about two-thirds of the country's exports are processed through Oporto, which is the regional capital and Portugal's second largest city.

The region is marked by sharp contrasts between the relative affluence of the coastal area near Oporto, where manufacturing is concentrated, and the poorer, less developed interior; though even in the most backward parts there is evidence of progress having been made during the past five years.

Remote villages and small towns that were once isolated are now linked by new or better roads; infrastructures and public services have improved, and the quality of life generally has risen.

But after the rapid growth of the 1980s, the region's future looks more uncertain. Its traditional industries – textiles, clothing and footwear – face serious difficulties; others, such as pulp and wood, face temporary problems because of a downturn in their markets.

The north's agriculture is confronted by enormous problems, caused by the excessive division of land into small unviable plots averaging 1.5 acres. Over-production of some items, such as wine, is depressing prices and threatening the precarious livelihood of thousands of small farmers who are ill-equipped to face open European competition.

The biggest and more immediate problem is in the textile industry, about 80 per cent of which is based in the north where it provides work for around 150,000 people. Estimates vary, but up to 30 per cent of the industry's workforce could lose their job as a result of the sector's crisis.

Textile manufacturing is concentrated in certain areas, increasing the social and economic impact of rising factory closures. In the Vale do Ave, near Oporto, where several factories have closed in the past two years, 75 per cent of employment is in manufacturing, most of it in textiles.

Ashley Ashwood

In need of a hand: many traditional industries are in difficulty

The bulk of the industry relies on low labour costs and outdated production techniques. Despite its geographical concentration, it is highly fragmented, and most companies employ less than 100 workers. Producing mainly cheap goods for the mass market, companies face growing competition from low-cost Asian and Third World producers. Most lack marketing skills, selling "by container" rather than for specific markets.

Mr Luis Garcia Braga da Cruz, president of the Co-ordinating Commission for the Northern Region (CCRN), a government supervisory body, says the industry has two sorts of problem.

Basic textiles, whose production is capital-intensive, face mainly financial difficulties. "They need money to modernise," he says.

The clothing and ready-to-wear industry is labour-intensive, and consists mainly of small companies which will have to diversify or merge in order to survive. Mr Braga da Cruz says that textile workers – mostly women with few skills – can be trained for new jobs in other industries and in the service sector. Between 1982 and 1986, 17,000 new jobs were created in the Vale do Ave alone. "This shows a great capacity to create new jobs," he explains.

There are special incentives to encourage companies to diversify away from textiles. Foreign companies that are interested in coming to Portugal are also encouraged to go to the north, though this has proved difficult as they usually prefer to be near Lisbon.

Other industries face different challenges. Many companies are restructuring their operations or redefining their strategies, in preparation for tougher competition within the single European market.

This is the case with Sonae, one of Portugal's largest groups, which after a period of rapid expansion and diversification in the 1980s, is refocusing its activities on wood products, food distribution and supermarkets, and real estate.

It will retain Radio Nova, a profitable local radio station, and Publico, a daily newspaper launched last year, but other "non-strategic business" will be hived off, says Mr Belmiro de Azevedo, group president.

"When we diversified, we aimed for size, to give us the resources to compete in Europe," he explains. "Now that we have achieved this, we have to look more closely at profits. Maybe we were involved in too many start-ups."

Sonae was also hit by unfavourable market conditions for wood products – this year, sales are down by about 8 per cent and prices by 15 per cent. This came at a particularly bad time, coinciding with investments over the past 30 months of more than £200m, half of which were in plant and equipment.

The Amorin group, another leading northern company, is also refocusing its activities. It is concentrating on cork (its traditional business), financial services, real estate and tourism. Mr Vitor Castanheira, financial manager, says the group was affected by problems in the cork market in 1990. More than 80 per cent of its cork products are exported, and it was hit by the recession in the US and the UK.

The worst of the crisis is over, he says, with sales picking up and prospects brighter for 1992. Financial services are also playing an increasingly important role for the group.

High interest rates and inflation were additional handicaps. Mr Alexandre Vasconcelos, business development manager at Soares da Costa, the country's largest contractor, says clients have tended to delay payments because of cash problems, while the pace of new investments has slowed down. Housing construction remained depressed, large tourism projects in the Algarve were at a standstill, and there were fewer projects in industry.

With uncertainty caused by the election now over, he expects a recovery in public works. "Projects for roads and infrastructure will go on despite plans to cut expenditure," he says.

Many companies are modernising their operations, to improve their competitiveness. Efacec, a leading manufacturer of electrical and electronic equipment, has invested heavily in new plant. Mr Sabino Marques, deputy manager, says the company will have spent about $40m in modernising production when its restructuring programme is completed in 1993. A new factory, to make transformers, will be one of the most advanced in Europe, he says. "We can't rely just on the domestic market, we have to compete internationally."

No one believes it will be easy to overcome these challenges. Restructuring will be painful. But the hope is that the north's economy will emerge leaner, more efficient, and more prosperous.

Oporto: no mean city, but a scruffy one

Courting the investor

"OPORTO WORKS, Coimbra sings and Lisbon enjoys itself," goes a popular saying.

It is doubtful whether things were ever quite as clear cut, but the northern city, unlike the country's capital or anywhere else in Portugal, is inordinately proud of its work-ethic and tradition of entrepreneurship. It will need both in facing some of the challenges that lie ahead.

Ashley Ashwood

A beautiful waterfront, but many houses lack basic facilities

The historic rivalry between the two main cities is still alive – if more subdued under the impact of modernisation – but the relationship between them has quietly changed. The political and economic power of Lisbon has been strengthened by four years of stable centre-right majority government.

Not long ago, northern businessmen would claim that the north was the country's economic powerhouse, and that politicians in Lisbon made a mess of things; but political stability and a government eager to encourage private enterprise have taken the sting out of the jibes.

The north's economic weight and power, though still considerable, has been subtly reduced as a result of the government's efforts to open the economy and liberalise the financial system. Privatisation of state-owned companies has shifted power away from Oporto by enhancing Lisbon's role as the leading financial centre.

Until recently, the high concentration in the north of a large number of private, mainly small and medium-sized, companies, as well as the presence of some of the country's largest groups, had ensured Oporto a major role as a financial hub for private enterprise.

The city has been at the centre of many new initiatives, and has received its share of new financial institutions. Many of the country's most important new banks were born there, and most of their shareholders are from the north. At the same time, Oporto continued to benefit from being the home base of some of largest older banks, including the Banco Portugues do Atlantico (BPA) which was 33 per cent privatised last December.

Business in Portugal still depends substantially on personal contacts and connections. The presidents of several leading banks, including the dynamic Oporto-based Banco Portugues de Investimento (BPI), were former directors of BPA. Mr Miguel Cadilhe, the former finance minister, began his banking and business career with BPA, which he rejoined after leaving the government almost two years ago.

"The BPA has been a school for key people in the financial system," says one of its directors. These connections helped to give Oporto considerable influence, and enabled some to claim that it was the country's real financial centre.

The situation is very different now. Many of the north's industries are facing difficult times. The small and medium-sized companies that account for most of Portugal's textile exports are in crisis, under the twin impacts of European Community market liberalisation and outdated production techniques.

In spite of its prosperity, the north is unevenly developed. It lags behind the national average in terms of health care, amenities (water supplies, sewage and waste disposal) and educational attainment, and has a high infant-mortality rate.

Emigration has slowed in the past 10 years, yet the population continues to decline in many areas as people move west or south towards Oporto and the more prosperous coastal districts, where industry is concentrated. Some small towns in the interior have lost up to 30 per cent of their population since 1981, while the population of greater Oporto has risen to 1.3m, putting pressure on local resources.

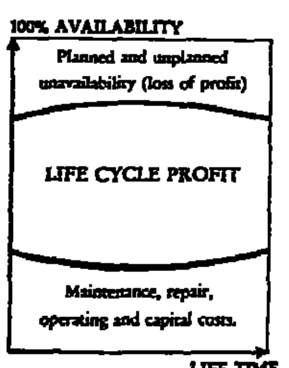
As a city, Oporto has been sorely neglected. The old parts lack basic infrastructures. The Ribeira (waterfront) is stunningly beautiful when seen at sunset from the other side of the Douro river, but many of the nearby houses lack basic sanitary facilities. Oporto is being modernised, but much of it remains sprawling and chaotic, making it probably Portugal's scruffiest city.

The local authorities are aware of the problems, and plan to spend Es130bn ($880m) over the next three years, mostly on improvements to housing, infrastructures and transport. All of this should help to make Oporto more attractive to investors, who are needed to bring new jobs to replace those that will be lost in traditional industries.

Oporto's fortunes will continue to be tied intimately to the fate of the whole region. It faces enormous challenges, but many northerners believe that these can be met.

Mr Artur Santos Silva, president of BPI, is among the optimists. "If the same spirit of enterprise and initiative exhibited in the seventies and eighties is shown in the nineties, I think the north and Oporto will succeed," he predicts.

Patrick Blum



Peter Wise traces the renaissance in the energy sector, for which . . .

Oil-import cuts are the main incentive

AT THE height of a distinguished career in banking, Jose Manuel Castro Rocha took on a daunting challenge in 1987, when he agreed to become chairman of Electricidade de Portugal, the state-owned power producer and distribution monopoly.

EDP may have been Portugal's biggest employer and largest industrial investor, but it was also burdened with an accumulated debt of Es1,054bn ($7bn) and an annual loss that year of Es5.9bn.

Within three years, Mr Castro Rocha had turned EDP round with a recovery programme that has made the company profitable – it recorded a net profit of Es10.3bn in 1990 – and will this year bring overall indebtedness below the psychological barrier of Es1,000bn, despite annual investments totalling Es120bn.

"I am confident that in another two years we will have reduced the debt-to-equity ratio to below 50 per cent, and will be able to consider the recovery complete," he said.

EDP's progress is only one example of the renaissance of Portugal's energy sector, as measures to modernise and restructure services reach the stage of practical implementation. After more than a decade of neglect and manipulation, energy is becoming one of the most dynamic sectors within a rapidly-expanding economy as state control gives way to private enterprise.

The dynamism of the sector is proving a particularly strong attraction for foreign investors, with concessions for four projects involving a total investment of more than Es600bn being awarded in 1991 alone. Other important investment opportunities are opening up as the planned privatisation of the state oil and power companies, and the possible creation of at least seven regional distribution companies for electricity and gas, reach fruition.

The reforms sweeping the energy industry have one overriding objective: to reduce heavy dependence on imported oil. Oil accounted for 73 per cent of primary energy consumption in 1989, down from 80 per cent in 1980. In the absence of any significant domestic resources, this dependence not only makes Portugal highly vulnerable to fluctuations in the international oil market but is also a heavy burden for the country's chronic trade deficit.

Domestic resources, mainly hydroelectric power and organic fuels, accounted for only 11.5 per cent of primary energy consumption in 1989. The remainder was imported at a cost of Es230bn, accounting for 8 per cent of total imports. This represents an improvement on the early 1980s when energy imports represented more than a quarter of the total import bill. Six weeks of exports, compared with more than six months in 1981, now cover the annual cost of energy imports.

Demand for energy is increasing as the economy expands. Electricity demand grew 6.6 per cent in 1990, and is expected to grow at an annual average of 5 per cent over the next decade, a factor that Mr Castro Rocha acknowledges to be a significant contribution to EDP's recovery.

To achieve the goals of reducing oil-dependency and satisfying increased demand efficiently, the government has set itself several goals. Mr Nuno Ribeiro da Silva, secretary of state for energy in the outgoing administration, identified five main objectives:

The sector's dynamism is proving an attraction to foreign investors

- Increasing the range of suppliers through liberalisation and deregulation that allows private producers and distributors to enter the market;
- Enhancing the performance of state-owned companies through restructure and privatisation;
- Diversifying energy sources through the introduction of natural gas and greater use of coal;
- Promoting the exploration of natural resources; and
- Increasing the use of renewable energy resources.

In practical terms, development of the energy sector is producing some outstanding business opportunities. A concession for a Es600bn project to build and operate Portugal's first natural-gas terminal and pipeline was awarded this summer to a consortium led by Gaz de France and Ruhrgas of Germany – although the decision is being challenged in court by two companies from the only opposing consortium, Enagas of Spain and Italy's Snam.

Three regional gas distribution concessions, involving a total investment of Es55bn were also awarded recently. Mr Ribeiro da Silva estimates natural gas will account for 5-7 per cent of Portugal's primary energy use by 2000, subsequently climbing towards the EC average of 14 per cent if it remains more competitive than coal.

As part of EDP's strategy to focus investment on improving distribution, the company has decided to sell a concession to build and operate a 1,200-megawatt coal-fired power plant now under construction at Pego, 100km north of Lisbon, a project involving at an estimated investment of Es300bn. However, the process has been delayed following the departure of Mr Jeffrey Hamburg from his post as president of the US company Southern Electric International, which heads one of the four international consortia competing for the project.

The Pego sale will not only raise Es70-80bn in capital for EDP but will help to shift the burden of investment in production to the private sector, freeing EDP to concentrate on distribution. As part of the same effort, a concession to construct, install and operate a natural-gas-fuelled power plant at Tapada do Outeiro in northern Portugal, requiring an investment of Es100bn, was recently awarded to a consortium led by Germany's Siemens.

In parallel with the government's encouragement of large-scale private production, EDP is being restructured to further improve efficiency and competitiveness. Following two independent evaluations, which unofficial sources say value the company's fixed assets at some Es1,800bn, EDP has until the end of the year to present a plan for dividing the utility into autonomous companies in the areas of production, high-tension transmission and distribution.

The subsidiaries will initially be wholly owned by EDP, which will become a holding company for the group. But some of the individual companies are expected to be at least partially privatised later.

Competition looms for the whole telecommunications sector

Open season for new ideas

THE telecommunications industry in Portugal faces radical change as it is opened up to competition, and privatisation looms for the state-controlled telephone monopolies.

The government intends to bring competition to the whole sector, as a way of ensuring better, more efficient and varied services.

"Everything is open," says Mr Joaquim Ferreira do Amaral, minister for public works, transports and telecommunications until last month's general election. "If anyone wants to establish a new service, we will judge it on its merits."

The objective is to have private operators involved in the provision of most telecommunications services, including the fixed-telephone network. Telefones de Lisboa e Porto (TLP), responsible for the telephone networks in Lisbon and Oporto, and Correios e Telecomunicacoes de Portugal (CTT), responsible for telephones in the rest of the country as well as postal services, will both be privatised.

A third company, Companhia Portuguesa Radio Marconi (CPRM-Marconi), which is responsible for international telephone services and operates satellite and submarine cable communications, is already 49 per cent privately owned.

Everything outside the fixed-transmission networks is already open to private-sector initiatives. Change for the fixed networks will occur more gradually, through partial privatisations.

CTT will be split up into two or more companies, to separate its telecommunications activities from the postal services, thereby making it possible to sell an initial 49 per cent of the profitable telecommunications operations. For the time being, there are no plans to privatise the postal services.

"The effectiveness of privatising postal services is debatable," says Mr Ferreira do Amaral. "We won't make a decision on this before there is a common policy in Europe."

The government also wants to sell 49 per cent of TLP. He says the initial 49 per cent limit on private shareholders will not reduce the attractiveness of either company to investors. "This is not a problem. These are sound and experienced companies with a good staff, and they have been investing heavily to modernise services."

In 1990, TLP reported an increase in the value of its services of almost 28 per cent, from Es44.5bn in 1989 to Es56.8bn. Net assets rose by 40 per cent, to Es216.5bn; and profits before tax rose by from Es2.2bn to Es3.8bn, despite a sharp rise in capital investments from Es28.9bn in 1989 to Es43.9bn last year.

In the same year, CTT reported an increase in services of about 24 per cent, to Es139.4bn; and a rise of 44 per cent in net assets, to Es409.3bn. Profits remained small, at Es269.5m, because of losses on postal services and the need to make substantial provisions for pensions. Investment, 90 per cent of which was made in telecommunications, rose by 29 per cent last year, to Es71.2bn. The company envisages investments of Es225bn in the period 1991-93.

Waiting time for a new line averages nine months – but can be as long as four years

Mr Ferreira do Amaral says the government's step-by-step approach to privatisation is designed "to give Portuguese groups the opportunity to invest [in telecommunications]. If we sold everything all at once, they couldn't do it."

In practice, this will mean alliances between Portuguese groups and international telecommunications companies. The timetable for privatisation has yet to be fixed by the new government, but officials say it could begin in the first quarter of 1992.

The first big move, effectively breaking the domestic state telecommunications monopoly was made in August, with the award of a licence for private mobile telephones. In a keenly contested competition, Telecel, an international consortium, won the award for the 15-year operating licence. Telecel includes Pacific Telesis (Pactel) of the US, with a 23 per cent stake; and the Grupo Espirito Santo (GES) and the Grupo Amorin, two of Portugal's largest groups, with 31.25 per cent each.

Telecel plans to invest Es102.5bn, and expects to have 457,000 subscribers by the end of the 15-year period. Its investment plans – more than four times that of its nearest rival – and its high forecast of subscribers in the first three years of operations were criticised by competitors as unrealistic for Portugal; but both the group and government officials believe there will be ample demand to meet these targets.

In spite of considerable investment in the fixed networks in recent years, there is enormous pent-up demand. Waiting time for a new line averages about nine months, and can reach four years in some parts of the country. The networks are being switched over from analogue to digital systems, with Siemens of Germany and Alcatel of France supplying the new central exchanges. Paradoxically, the transition has temporarily made some services worse, because of technical incompatibilities between the old and new systems, and inadequate infrastructures.

According to a study by Finantia, a Portuguese investment bank, at the end of 1990 Portugal had an average 23 telephone lines installed per 100 inhabitants, compared with the European Community average of 43 lines. Operators believe this allows plenty of scope for expansion as well as for new services.

The state-owned companies run a mobile telephone system, but this is based on analogue technology and the take up has been slow, with 9,700 subscribers after more than three years' operation. Ageing technology and poor marketing have hampered the growth of mobile communications, but Telecel's entry into the market is expected to hasten developments. Marconi, CTT and TLP have now established TMN, a new company, to provide a digital service compatible with the European GSM system, in order to compete with Telecel.

The government has also invited bids for the licence to operate three nationwide and five regional paging systems. Invitations to tender for the establishment of the country's first private mobile radio systems will follow shortly.

Officials say the market for a wide range of services has expanded considerably in recent years, as a result of Portugal's fast economic growth and because of the inability of existing services to meet rising demand. The fixed networks will face tough competition, but clearly that is what the government intends.

"We want competition," says Mr Ferreira do Amaral. "It's good for the operators and for the customers."

Patrick Blum

Tourism

Off the beach, into quality

A PENNILESS but enterprising teenager from Scotland, William Reid, arrived in Madeira in the mid 19th century.

After making his way in the wine trade, he began letting villas to Europe's rich and royal, who were making the semi-tropical island a winter haven long before resorts such as Baden-Baden or the French Riviera became fashionable, writes Peter Wise.

He began construction of the New Reid's Hotel in 1887, but died before it could be opened by his two sons in November 1891.

In the year of its centenary, Reid's, now owned by one of Madeira's long-established British families, is one of world's most distinguished hotels, beloved of celebrities for its luxury and service. There, George Bernard Shaw learned to dance and Winston Churchill relaxed at his easel. For each guest, dining under glittering chandeliers (black tie obligatory) or enjoying afternoon tea on the terrace, an average of three employees works discreetly to provide comfort.

By comparison with the venturesome Reid, today's foreign investors in Portugal's tourism industry adopt a more hard-headed approach, based on detailed market research and backed by international corporate finance. But the basic assets they build on remain the same: a welcoming people, natural beauty, sunshine and competitive prices.

A sample of planned projects indicates how investors are increasingly drawn to Portugal's tourism sector, one of the fastest-growing in the world:

- UK investors are involved in an approved Es25bn (£1.3m) project to develop 300 hectares of prime beachside land at Lagos, in the Algarve. It will involve a five-star hotel, 200 luxury apartments and town houses, 300 villas and an 18-hole golf course.
- Companies from China and Macau plan to invest Es9.7bn in a 47ha "Chinese garden" leisure complex in Carcavelos, near Lisbon, and a luxury tourism development at Vila Nova

Continued on next page

Who wants to say goodbye?

☐ Living there: rapid development in recent years has brought about many changes in lifestyle and expectations, says **Patrick Blum**. Television is ubiquitous. Noise levels can be frightening, especially in the discotheques. Football competes in importance with major issues, and even the prime minister has paid homage to the game and to the talent of Portuguese players

Another major issue: Benfica

PORTUGAL IS a country of contrasts where the old intermingles, at times chaotically, with the new.

In Lisbon and Oporto, modernists' high-rise developments dwarf the surrounding traditional neighbourhoods in a testimony to urban un-planning.

The capital's old but colourful trams wind their way at snail's pace through narrow streets, as new cars zoom impatiently by. The colonial heritage is still much in evidence in the large numbers of mainly African immigrants, especially in Lisbon; but life in the main cities has become more European, though it still goes on at a characteristically un-European and leisured pace in the countryside.

☐

The country's rapid development in recent years has brought about many changes in lifestyle and expectations.

Travel has become easier, faster and safer, though Portugal's roads are still among the most dangerous in Europe. The motorway between Lisbon and Oporto has recently been completed, and apart from some bumpy bits on the older parts near the capital, it has dramatically improved the journey between the two cities. There is also an efficient, fast and comfortable inter-city railway, though long taxi queues can await the arriving traveller at both ends.

The Portuguese are adaptable and remarkably open to new ideas, yet remain close to their roots. Family ties and long-standing friendships – sometimes renewed after years of estrangement – are still important; but tradition, whether embodied in the powerful Roman Catholic Church or in the mournful songs of the fado, is losing ground to the attractions of modernity.

Television is ubiquitous. TV sets abound in public places, and even when it is not watched it is usually on and booming away in a corner of popular cafes and restaurants, forcing everybody to raise their voices by several decibels.

Noise levels can be frightening, especially in the "boite" – discotheques, for the old-fashioned – but the younger clientele which flocks to them at the weekend is not over-concerned about making conversation. Hearing problems, however, are a common affliction – and so, too, is rheumatism, caused by dampness and lack of proper heating in most Portuguese houses.

Video recorders have made their way into Portuguese homes, with the proliferation in most city districts of small video clubs. These offer as wide a range of films as anywhere in Europe, with the added advantage that they are all in their original language, with Portuguese subtitles.

For the visitor with little or no knowledge of Portuguese, even the two state-run television channels – soon to be joined by one or two private ones – show practically all films, as well as popular series and soap-operas, in the original language. Dubbing, whether because the market is too small or because of a conscious policy to retain the original character of a production, is thankfully non-existent.

The Portuguese don't seem to mind, and it has helped to make them better linguists than their Spanish neighbours, though Portugal's tradition as a trading nation and its historical ties with Britain have been more important. French is still widely known, especially in the north, because of migration; though, as in most parts of the world, it has lost ground to English.

Computers and computer games are gaining ground, but are still too expensive for most Portuguese purses. More popular passions are "the beach", time off and football, not in any particular order. Calling a Portuguese colleague, to enquire about the timing of a press conference, elicited first and foremost an enthusiastic description about her forthcoming holiday "for a full month!" At weekends during the long summers, thousands of people in Lisbon and Oporto desert the city for the beach, creating endless traffic jams in either direction. Those without a car take a quick ride on a train or bus, which from Lisbon means going west to Estoril, Cascais, and Guincho.

Football competes in importance with major issues, and even Mr Cavaco Silva, the prime minister, has paid homage to the game and to the undoubted talent of Portuguese players. Fans of the main clubs – Benfica, Lisbon's Sporting or FC Porto – follow with enthusiasm their teams' progress in the national charts and in international competitions.

Scandals, rumours and gossip about players or clubs are a major staple of the Portuguese press. But football itself remains a family entertainment and, in spite of the excitement generated, is remarkably free of the violence that has spoilt the game in much of Europe and Latin America.

Leaving aside the teeny-boppers and the discos, parties and talking are major pastimes that will make a mess of your business schedule the next day. Saying goodbye will take several attempts, with new topics of conversation popping up on the door-step, even in the early hours of the morning. But then, who wants to leave?

WHERE TO STAY, WHERE TO EAT

■ PATRICK BLUM offers a guide for the business visitor to the two main cities

LISBON HAS a number of five-star hotels, which possess all the amenities usually found in top hotels around the world, and many less luxurious but equally pleasant ones.

Most of the larger hotels belong to international chains, and accordingly provide a relatively standardised service. Here is a short-list of the most central ones:

Ritz***** Part of the Intercontinental group. Three minutes walk from the Marques de Pombal square and overlooking the Parque Eduardo VII. Grand if a little old fashioned. Has large conference rooms and the back-up services needed for visiting businessmen. Has two main restaurants: the Grill, and the Varanda which has an open terrace in the summer and an excellent buffet. The Varanda is highly popular with local and foreign businessmen. *Tel 69 20 20. Fax 69 17 83.*

Meridien***** Part of the French chain. Next door to the Ritz, less grand but more modern and friendly. Conference rooms and small business centre. Has two restaurants, including the Brasserie des Amis, with good food and a choice between a buffet or a la carte menu – and a non-smoking section. *Tel 69 09 00; 69 04 00. Fax 69 32 31.*

Tivoli***** On the main Avenida da Liberdade. Conference facilities and back-up. Two restaurants, including the roof-top Terraco with an open-air terrace and splendid views over Lisbon. The Terraço is a favourite meeting place for lunch for local businessmen. *Tel 52 11 01; 53 01 81. Fax 57 94 61.*

Sheraton***** Part of the Sheraton chain. Conference rooms and back-up. Two restaurants, including good Alfama grill with Portuguese and international specialities. *Tel 57 57 57. Fax 54 71 64*

Penta**** Farther away from the centre, but has own regular shuttle bus service. Conference rooms and a good business centre and back up. Several restaurants. *Tel 726 4054. Fax 726 4281*

RESTAURANTS:
There are many restaurants for all tastes and purses. Any in the following short list would make a pleasant break from eating in the hotel:
Tavares Rico. On the edges of Bairro Alto. One of Lisbon's oldest – over 200 years old – and most famous restaurants. Luxurious with grand traditional decor. Excellent food and one of Lisbon's best cellars. Not for the budget-conscious. Closed Saturday and Sunday lunch. *Tel 342 1112.* **Tagide.** In what is left of the burnt-out Chiado. Has good views over Lisbon if you can get a window seat. Good food, including some Portuguese specialities, a good wine list, and pleasant service. On the expensive side by Portuguese standards. Closed Saturday and Sunday. *Tel 342 0720; 346 0570.* **Pap'açorda.** In the heart of the Bairro Alto. Lively, young and very popular, especially for dinner. Friendly, good food and service at reasonable prices. Best to book in advance, to be sure to get a table. Closed Saturday lunch and Sunday all day. *Tel 346 4811.* **Casanostra.** In the Bairro Alto. Italian cuisine. Pleasant decor, quiet for lunch, but busy in the evening. Best to book. Reasonable prices. *Tel 342 5931.*
There are hundreds of others restaurants *offering* good Portuguese food, including popular *cervejarias* (brasseries), such as Cervejaria Da Trindade and Boemia (has its own excellent brown beer), and very cheap small local restaurants.

Oporto

Sheraton***** Part of the Sheraton chain. On the Avenida da Boavista. Conference rooms and back-up. Until now, had only one fax machine, but this is being remedied, with rooms on two floors being fitted with their own fax and modem connections for portable computers. *Tel 66 88 22; 69 91 45. Fax 69 14 67.*

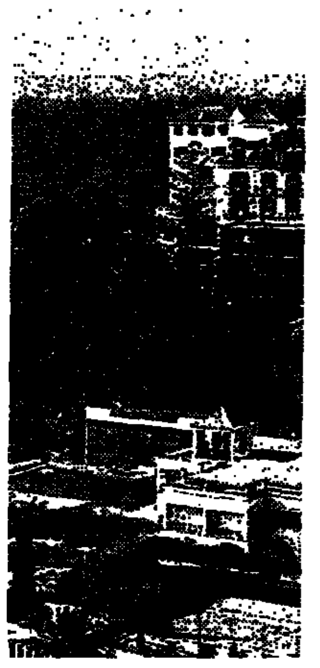
Meridien***** Part of the French chain. Opposite the Sheraton. Conference rooms and back-up. *Tel 600 1913; 600 1921. Fax 600 2031.*

Infante de Sagres***** In the city centre. *Tel 200 8101. Fax 31 49 37.*

Dom Henrique**** In city centre. Conference facilities. *Tel 200 5755. Fax 201 9451.*

RESTAURANTS:
Churrascao do Mar: Fish specialities and Brazilian cuisine. Closed on Sunday. *Tel 69 63 82.* **O Escondidinho:** Traditional. Closed Sunday. *Tel 210 79.*

Tourism pursues the big spender



Signpost to quality: Reid's

Continued from previous page
de Milfontes, on the Atlantic coast, south of the capital

■ Investors from the Netherlands are backing a Es15bn project to build a 158ha Parque Tropical, at Varzea de Pigeiros, near Oporto, a complex with golf courses, tennis court, three villages, a hotel, and a congress centre that is expected to be the largest on the Iberian peninsula.

■ Japan's Institute for Tourism Development recently sent a delegation to assess the tourism potential of the Algarve, as part of an effort to reduce the Japanese trade surplus by sending more tourists abroad.

■ Plans are being made to establish a network of luxury marinas around Portugal, to serve the 30,000 foreign pleasure craft that ply the coast each year.

Cash incentives and low-interest loans reflect the enthusiastic welcome that the Portuguese authorities extend to such projects, particularly in under-developed regions away from the Algarve and the Lisbon coast. But they are concerned that all developments shall share at least one important characteristic with Reid's Hotel: quality.

"Improving quality is the main challenge facing the Portuguese tourism industry today," says Mr Alvaro de Sousa, an official with the Institute for Tourism Promotion (IPT). "The overriding priority in all our efforts is to enhance the quality of the destinations, the facilities, and the service we offer."

Better-quality products go hand in hand with better-quality consumers. In the words of Mr Peter Spath, general manager of Reid's Hotel: "What sets the hotel apart is a special atmosphere that owes a great deal to the kind of guest Reid's attracts."

A high-quality tourist has spending power, and it is precisely because of a decline over the past three years in the average amount spent by each tourist that Portugal is increasingly concerned with quality.

The number of tourists visiting the country in 1990 increased 12.7 per cent to a record 8m. A further 20 per cent increase is forecast for this year. The Organisation for Economic Co-operation and Development predicts that Portugal will register a bigger increase in tourist numbers than any other country. This is only partly because it is benefiting from the diversion of tourists away from the Gulf region and Yugoslavia.

> The OECD says Portugal will have a bigger tourist increase than any other country

But although revenue increased by 19.1 per cent at face value last year, to Es503bn, it rose only 4.4 per cent in real terms. The average amount spent by each visitor fell 3.9 per cent in real terms to Es1,737 (£7) a day.

Tourism is Portugal's single biggest source of income, and of crucial importance to the economy. It has a greater single impact on the economy than than textiles, agriculture or banking. The multiplier effect of tourism spending is high, generating an estimated return of $1.68 for every dollar spent in hotels, for example, and $1.95 for every dollar spent in restaurants.

It is also a high-growth sector. The increase in the number of tourists visiting Portugal last year was more than three times the average growth for the world market. Market share is also steadily increasing, from 1.6 per cent of the world total of tourists in 1986 to 1.9 per cent last year. Portugal's share of the total revenue has risen from 1.1 per cent to 1.6 per cent over the same period.

The challenge now is to maintain growth in numbers, and simultaneously to increase the return on each visitor by moving into more lucrative market segments.

Portugal already has a strong foundation to build on. According to a government white paper, confirmed by independent consultants, Portuguese tourism ranks ahead of Italy, Greece and Spain from an environmental perspective, taking into account drinking water, beaches, sea water, air quality, sewage, hygiene and overall conditions. It is the fourth most popular destination for British tourists, and recent market research in the UK registers positive impressions of the relationship between price and quality. The return rate is close to 50 per cent.

FINANCIAL TIMES
COMPANIES & MARKETS
Monday November 4 1991

INSIDE

Hawker forced into early profits forecast

Hawker Siddeley, the engineering group, has confirmed it will send shareholders a profits forecast down 7 per cent this year as part of its defence against the hostile bid from BTR, the UK conglomerate. The announcement follows publication by a Sunday newspaper of Hawker's confidential defence documents. Page 16

First Vietnam fund set up

The first fund specialising in investments in Vietnam is set to begin operations with just over $10m subscribed. It will take minority stakes in companies and projects in Vietnam designed to earn hard currency, and which are managed or substantially controlled by non-Vietnamese companies. Units in the Vietnam Fund, listed in Dublin, have been placed by *Smith New Court Far East.* Page 17

Further losses for America West

America West, the bankrupt domestic carrier, has reported a net loss of $85.2m in the third quarter – up from a $22m deficit in the same period a year ago. Page 17

Nedlloyd to sell stake

Nedlloyd, the Dutch transport group, plans to sell a 50 per cent stake in Verbrugge de Meyer, the transshipment group, as part of a strategy of refocusing on its core businesses, ocean-going shipping and land transport. Page 17

More scotch for the market

Burn Stewart, the Scotch whisky distiller, is to announce its flotation on the London stock market today. It will join only four other quoted independent distillers – Highland Distillers, Invergordon, Macallan-Glenlivet, and Macdonald Martin. Page 16

Japanese groups rise in half

Hitachi Zosen and Mitsui Engineering, two Japanese shipbuilders, have reported large increases in pre-tax profit for the first half, but attributed the improvement more to demand for heavy industrial machinery than to increased sales of new vessels. Page 17

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Watch kept for BT sale arbitrage

By Hugo Dixon in London

THE UK GOVERNMENT is taking steps to prevent large investors artificially depressing the price of British Telecom shares ahead of the £5bn ($8.75bn) offer for sale of stock in the company next month.

The government is concerned that investors may sell BT shares and options with the intention of driving down the company's share price and then buying back the shares cheaply in the public offering.

To prevent this, its advisers are monitoring closely dealings in the company's shares on major world stock exchanges.

The advisers, led by S.G. Warburg, have been telling institutional shareholders and brokers that, if they are caught engaged in this type of "arbitrage," they will be penalised by being *awarded fewer shares than they* want in the sale.

Institutions feel that such rough tactics are keeping BT's share price artificially high, but the government believes it is simply counter-acting a tendency by the institutions to tilt the market in their favour and so is protecting taxpayers' interests.

The government believes one of the main purposes of arming itself with a team of top merchant bankers is to root out arbitrage. Its financial advisers have put in place "sophisticated market monitoring mechanisms" to spot "abnormal" trading in BT shares and options. Investors who trade in the company's shares "normally" will not be penalised.

The government is also understood to feel that comments by a senior official at Oftel, the telecommunications regulator, that BT's prices would probably be referred to the Monopolies and Mergers Commission next year are "out of line". BT's prices are due for review next year by Oftel, but there is a feeling that predicting an MMC reference at this stage could prejudge the process.

The discussion about an MMC reference is expected to increase the clamour among institutions for Oftel to clarify its policy, as *they are afraid they may buy the* shares only to find a tighter regulatory regime cuts BT's profit. Warburg is seeking further information from Oftel.

BT's share price fell sharply on Friday, following the announcement of lower-than-expected profits. Although the government's remaining stake in BT is worth £1.7bn less than a month ago, it is satisfied that the structure of the offer will allow it to "ride the bumps".

Corporate credit ratings fall again in third quarter

By Richard Dale and Stephen Thomas

CORPORATE credit ratings worldwide continued to deteriorate in the third quarter of 1991, but at a slower pace than in the first half of the year, according to Financial Times Credit Ratings International, an FT data service.

FT-CRI's analysis of ratings issued by 12 leading credit ratings agencies in Europe, the US, Australia and Japan, shows that in the first six months of 1991, the value of securities downgraded exceeded those upgraded by five to one.

In July-September 1991, the pace of downgrades had slowed, but they still exceeded upgrades by 2½ to one.

The most recent drop in credit quality has been concentrated in the financial sector. Crédit Suisse has become the first big Swiss bank to be placed under review by Moody's for possible downgrading below triple-A, the highest rating. IBCA, the London-based rating agency, has downgraded the Industrial Bank of Japan (IBJ), Nippon Credit Bank and Long-Term Credit Bank of Japan, while Moody's has downgraded IBJ and Norinchukin Bank as well as Crédit Lyonnais.

The four largest Japanese securities firms, Nomura, Daiwa, Nikko and Yamaichi, have been downgraded by Standard & Poor's following concern about their long-term profitability in the wake of recent financial scandals. Salomon Brothers has also been downgraded for similar reasons.

The insurance sector has fared badly, with Moody's downgrading Aetna Life, Crown Life and Home Life. It has also placed under review for possible downgrading the triple-A rating of four sterling mortgage-backed bonds, due to a potential decline in Eagle Star Insurance's claims paying ability.

The authors are consulting editors, FT Credit Ratings International.

Mr Abdullah Al-Gabandi outlines to **Sara Webb** the Kuwait Investment Authority's plans for debt management after the Gulf war

Kuwait learns to borrow

"BORROWING is a new experience for Kuwait. We are used to asset management, now we have to get used to liability management," said Mr Abdullah Al-Gabandi, managing director of the Kuwait Investment Authority, which manages the country's investments.

Before the Iraqi invasion in August 1990, Kuwait was regarded in the international financial markets as a rich and canny investor.

Although its investments were usually well-guarded secrets, it was thought to own assets of about $70bn, with substantial stakes in companies such as BP, Daimler-Benz, Hoescht and Metallgesellschaft.

Today, Kuwait finds itself borrowing in the international capital markets for the first time in its history. It set up a debt management office in London, and on October 10 launched a $5bn syndicated loan.

After the Gulf war, Kuwait had two main bills to pay: first, its *contribution towards the cost of* Desert Storm, the coalition war operation, and secondly the cost of repairing the damage inflicted on its infrastructure.

Mr Al-Gabandi claimed that by the end of December, Kuwait will have paid $22bn to the coalition for Desert Storm. Kuwait was forced to sell its most liquid *assets such as US Treasury bonds* and other government bonds as well as using its deposits to meet its obligations.

The reconstruction of Kuwait's infrastructure is expected to cost between $20bn-$30bn. However, Mr Al-Gabandi stresses it is unlikely this amount will be spent immediately.

"You *don't have to restore* everything immediately. You can start with the most essential things then restore other services over three to five years," he said.

The initial reconstruction work – particularly on the badly-damaged oil sector – will be financed by the $5bn syndicated loan.

However, whether Kuwait *needs to borrow again in the* international capital markets – either using further loans or by launching a bond issue – will be determined largely by its oil production.

So far, Kuwait has exceeded its most optimistic forecasts. The oil wells which were set alight by the departing Iraqi forces have nearly all been extinguished.

A month ago, Kuwait forecast its oil production would be 400,000 barrels per day (b/d) by the end of December. In fact it reached 400,000 b/d a fortnight ago and it now expects to be producing up to 600,000 b/d by December. It hopes to produce 1m b/d by the end of June and 1.5m b/d by the end of 1992, but the timing could again prove to be on the conservative side.

If rapid progress is made restoring oil production, Kuwait could find itself in a position to repay the five-year loan before it matures. The loan, which is the largest ever discretionary syndicated loan, carries a margin of 50 *basis points over the London* interbank offered rate.

"There is a good chance of repayment before five years, although it depends on interest rates" said Mr Al-Gabandi. "If interest rates are high, I would recommend early repayment, but timing is just perfect now as interest rates are low and we are getting a much better return on our investments."

While there has been plenty of speculation that Kuwait might sell some of its investments to pay for reconstruction, Mr Al-Gabandi vehemently denies that there is any substance to the rumours.

"We are in the [syndicated loans] market mainly to raise *funds to preserve our main* investments so we do not need to liquidate them," he said.

Kuwait's investments include a 14.6 per cent stake in Daimler-Benz, 20 per cent of Metallgesellschaft, 25 per cent of Hoescht, and 9 per cent of BP.

Rumours circulated recently that Kuwait was considering *issuing a convertible bond* into its 14.6 per cent shareholding in Daimler-Benz. However, Mr Al-Gabandi said: "Daimler Benz is one of our prime investments ... we do not intend to unload our prime investments, we intend to keep them ... We are not considering any bond or convertible bond issues now."

Kuwait's $5bn loan has been launched into general syndication, following the announcement of the 24 lead manager banks last month.

The deal was oversubscribed to the tune of $6bn. "Some banks are worried we might take $6bn – we appreciate they want a sell-down and we'd like to reduce it as much as possible, but we might consider going a little bit over $5bn" said Mr Al-Gabandi.

Noticeable by their absence from the line-up of leading international banks at lead manager level are the UK clearing banks, despite the fact that Lloyds Bank is a custodian for Kuwaiti assets.

The absence of the UK banks has led to concern in Whitehall that UK companies may lose out when Kuwait awards valuable reconstruction contracts. Will UK interests suffer?

"I hope not" said Mr Al-Gabandi. "We are not going to look at it that way, but if British banks want to get business in Kuwait they will have to be more aggressive. In our relationships with the banks we have to reciprocate ... it goes without saying that preference would go to the banks which support the [$5bn] deal."

Ashley Ashwood

Abdullah Al-Gabandi: expected UK banks to participate

Mr Al-Gabandi said he was "very disappointed" that the British banks did not participate at lead manager level in the deal. "The British even sacrificed their children for the liberation of Kuwait, so I would have expected British banks to participate."

UK banks were reluctant to participate at lead manager level because they would have had to commit themselves to lending Kuwait up to $250m apiece, which they regarded as a very large amount, especially given that Kuwait carries the full risk weighting under international guidelines on capital adequacy requirements.

However, Kuwait plans to continue to lobby the Basle supervisory committee in the hope of improving its borrowing status so that – like Saudi Arabia and OECD member countries – it will have a zero risk weighting instead of a full risk weighting, thus making it more attractive to lenders.

"We shall do our best to convince [the committee]," said Mr Al-Gabandi. "Kuwait honours its commitments – even during the invasion Kuwait honoured its commitments, so I do not like to be compared with other countries which default."

Central bank governors at an impasse

It's always a pity when the members of a luncheon club fall out. But that is what has happened among the central bank governors of the European Community.

The 12, who meet each month in the Basle headquarters of the Bank for International Settlements, have presented an unusually harmonious front to the outside world in recent years .

But now, while optimists see few obstacles to EC leaders signing an Emu treaty at next month's Maastricht summit, the normally urbane guardians of the EC's monetary affairs are at odds. Harmony, as one of their number said last week, has been replaced by "variable geometry" with the governors in different groups over different issues.

Two points of dispute emerged in a meeting of the governors in Basle last week.

They failed to finalise the draft statutes of the proposed European Monetary Institute or EMI, the interim body to co-ordinate national monetary policies in the second stage of Emu. An influential minority led by France, Italy and Spain pushed for the EMI to have many of the attributes of a central bank against the strong opposition of the other central banks led by Germany.

The 12 were also unable to settle outstanding problems concerning the planned ECB that is due to run EC monetary policy in stage three of Emu. Here Italy and Spain, which fear they might not qualify for Emu under the proposed economic convergence criteria, want a say in the counsels of the ECB. Opposing them was a coalition, including the Bundesbank, and the central banks of Britain, France, Denmark and Luxembourg.

Big political issues lurk behind these problems. But why have they not surfaced before?

One reason is that the harmony among the central bankers has been fragile at best. Another factor could be the changed personal chemistry of the group since the resignation during the summer of Mr Karl Otto Pöhl as Bundesbank president and chairman of the EC governors' committee.

It was clear when they published their first draft of the ECB statutes a year ago, that difficult detailed problems remained. But Mr Pöhl tended to minimise these as technical issues, partly so that the divisions would not become too apparent to politicians in their national capitals.

The group's new chairman, Mr Erik Hoffmeyer, Denmark's central bank governor, is admired as a diligent and able man. But the Danish central bank does not have the clout of the Bundesbank.

Economics Notebook
By Peter Norman

This has enabled Mr Jacques de Larosière, the governor of the Bank of France, to flex his muscles more inside the group. A distinguished public servant, of many years standing, he moved to the Bank of France in January 1987 with immense prestige earned through his *skilful handling* of the Latin American debt crisis when managing director of the International Monetary Fund in the 1980s.

But Mr de Larosière now presides over one of the less independent European central banks. Although he expects that the French government will *increase his* bank's independence, the important Treasury department in the French finance ministry is cool on the idea.

The French central bank governor has long advocated setting up a European central bank at the earliest opportunity and is keen for the EMI to be an embryo central bank. Some EC monetary officials believe he will keep pushing for these goals, partly because France is a great believer in building European institutions and then ensuring that they are run by Frenchmen, and perhaps to offset some of the frustrations of his present job. Mr de Larosière's advocacy last week of proposals for the EMI president and vice president to be appointed from outside the central bank governors' group prompted some of his listeners to think he might be lining up a job for himself should he leave the Bank of France.

Opposing Mr de Larosière over the EMI was Mr Hans Tietmeyer, the deputy governor of the Bundesbank who, as a former top official in the Bonn finance ministry, is a relative newcomer to the world of *central banking. Mr Tietmeyer's* approach to negotiating is robust at the best of times.

Several of those taking part in last Monday's Basle meeting said it was an "unfortunate" occasion. The central bank governors will meet and go over the same ground in eight days time. Although the Bundesbank *will be represented* by Mr Helmut Schlesinger, its more diplomatic president, there is no guarantee of success.

The impasse among the central bankers is beginning to cause concern, with Maastricht just five weeks away. The loose ends in the draft statutes in the EMI and ECB could tempt EC leaders and finance ministers to start trying to unravel other areas where the central bankers have reached agree*ment if they think such action* would promote political compromise.

According to some observers, the Bundesbank ought to be worrying the most. Mr Helmut Kohl, Germany's chancellor, was less than scrupulous about upholding the principle of central bank independence when reunifying Germany. The question many people now ask is whether he would adopt a similar approach in the interests of a deal on European political and economic union.

Sincere Flattery

Imitation is supposed to be the sincerest form of flattery. If so, the Bank of England should be quietly pleased that the Bundesbank is following its lead and preparing to provide more know-how about modern central banking practices to the nascent central banks of eastern Europe and the former Soviet Union.

The Bundesbank has set up a new department to handle its technical assistance effort under Mr Thomas Gierenstein, who until recently was the personal assistant of President Pöhl. But whereas the Bank of England has chosen an institutional approach, setting up a special Centre for Central Banking Studies to teach the east how to achieve sound money, the Bundesbank will focus more stress on placing consultants with the monetary authorities of the former communist countries.

The German central bank believes that it has a lot to teach the east, following its experience with the introduction of the D-mark in the eastern Germany. It intends to make a major effort in the Soviet republics and the Baltic states. The Russian central bank has already asked the Bundesbank for technical assistance.

White Rose TV group to fight for franchise

By Raymond Snoddy in London

WHITE ROSE Television, the UK commercial television group, will this week formally offer shareholders in Yorkshire Television a free 25 per cent stake in the company in return for turning down Yorkshire's £37.7m ($64.84m) winning franchise bid.

The offer, which will come from Schroders, the White Rose merchant bank, could set off one of the most dramatic battles of the competitive tendering process for new ITV franchises.

In the tenders for the Yorkshire franchise, White Rose got over the quality threshold but its £17.4m bid was not nearly high enough.

The £20m a year gap between the two bids is now exciting White Rose and a number of disgruntled minority Yorkshire Television shareholders who think the company bid too much.

White Rose is a consortium whose members include Chrysalis, the independent production company, the Halifax Courier and Barnsley Chronicle newspapers, RTE, the Irish national broadcaster, and 3i, the venture capital group.

White Rose is now advising Yorkshire Television shareholders it would be in their financial interest to turn down the licence at a shareholders' meeting on November 20.

White Rose directors argue that shareholders would retain a valuable asset – an independent production company that would continue to make programmes such as The Darling Buds of May – and 25 per cent of what it then hopes would be the profitable holder of the Yorkshire franchise.

Hawker forced into early forecast announcement

By Richard Gourlay

HAWKER Siddeley, the engineering group, yesterday confirmed it will be sending shareholders a forecast of profits down 7 per cent this year at £130m as part of its defence against the hostile bid from BTR, the UK conglomerate.

The company was yesterday forced into the embarrassing early announcement of the most crucial element of its defence after the Sunday Times reproduced a document including the forecast.

The premature forecast is likely to leave shareholders, who were already less than enamoured by Hawker Siddeley's defence, wondering how much powder the besieged engineering company has kept dry for its defence document on Tuesday.

The leaked forecast came from an internal report prepared for Hawker Siddeley by Price Waterhouse, the accountants, and not from a draft of its next defence circular, the company said.

The document was first sent to the Sun newspaper after a reader found it billowing in the wind outside the National Theatre.

Hawker Siddeley said yesterday that Price Waterhouse had sent the lost document by courier to S.G. Warburg, the company's advisers, and that despite "intensive enquiries it had not been possible to establish when or how it was removed from the distribution chain between the group's advisers".

The company said it was taking legal steps to prevent further publication of the Price Waterhouse report.

The forecast of £130m for the year to December 1991 is equivalent to an earnings per share increase from 40.8p last year to 41.4p. Hawker said the result would be achieved after charging reorganisation costs of over £30m above the line and had been earned during a recession of exceptional severity.

The £130m forecast is slightly above the revised forecasts produced by most analysts since Hawker said at the time of its interim results that the rest of the year would be tough for the group.

Hawker Siddeley has indicated that it might put up for sale the 59 per cent controlling stake in its Toronto-based Canadian subsidiary as part of its defence against the BTR bid, writes Bernard Simon in Toronto. Hawker Siddeley Canada barely broke even in the third quarter after a 15 per cent drop in turnover. The company accounts for about 10 per cent of Hawker's total sales. Earnings fell from C$6.5m to C$500,000, or three cents a share compared with 77 cents a share. Sales slipped to C$90.1m against C$106.1m. The drop in earnings was mainly due to the deep recession in the North American sawmill industry and to lower demand from British Coal for tunnelling and other mining equipment.

Attwoods 'misunderstood' over proceedings

By Richard Gourlay

ATTWOODS, the financially-stretched waste management group, has dismissed legal proceedings against it, including a criminal investigation by the US Defence Department, as unlikely to have a "significant adverse effect on the group".

Group companies were "unable to predict the outcome of these enquiries" but incomplete accounts of the proceedings had meant the company was being "misunderstood", Mr Kenneth Foreman, the chairman said in a letter to shareholders.

Mr Foreman was explaining the reasons for the £80m rights issue announced last month after six months of unsuccessful attempts to arrange new long-term debt debt facilities and placements of shares with US institutions.

The Attwoods circular said the US Defence department investigation concerned only one truck driver for a subsidiary, Industrial Waste Services, who had falsified dump tickets and delivered a number of false invoices to a US government defence contractor.

This contractor was also questioning "the basis of charging over an extended period".

If civil or criminal actions were successfully brought against the group it could face restitution and fines of up to $1m per false invoice, the circular said.

Attwoods had conducted an internal investigation which showed no wrong doing by any other employee and the company's counsel had advised that such large fines were unlikely.

A second case involved the false invoicing of customers by employees of Eastern, a waste subsidiary, where the company discovered the misappropriation of funds and had made restitutions to customers.

The US attorney's office and the Federal Bureau of Investigation had begun an investigation and further restitution and fines might have to be paid, Attwoods said.

About $70,000 of falsified invoices were involved. Again Attwoods' directors did not consider any fines or additional restitution would be significant.

Thirdly, the directors believed that an anti-trust investigation being conducted by the Maryland attorney general's office would clear the group of any wrongdoing.

On the performance of the group, Mr Foreman, said the group had spent £136m on acquisitions and capital expenditure in the year to July 1991.

Attwoods was forced to announce the 9-for-25 cash call at 110p per share after its bankers refused to roll-over a £29m loan.

Kenneth Foreman:giving explanations

Burn Stewart market flotation valued at £80m

BURN STEWART, Glasgow-based Scotch whisky distiller, is to announce its flotation on the London stock market today, writes Philip Rawstorne.

It will join only four other quoted independent distillers – Highland Distillers, Invergordon, Macallan-Glenlivet, and Macdonald Martin.

The move comes a few days after Invergordon successfully retained its independence against a £350m bid from Whyte & Mackay, UK drinks subsidiary of American Brands, the US tobacco group.

Burn Stewart is coming to the market with a placing and intermediaries offer through Morgan Grenfell and Cazenove which will value it at about £80m. Pre-tax profits were £8.2m on turnover of £38m in the year ended in June.

Mr Bill Thornton, Burn Stewart's chairman and managing director, led a management team in a £7m buy-out of the company in 1988. Two Scottish investment groups, Murray Johnstone and Charterhouse, have equity.

Mr Thornton, who was finance director of the Scottish operations of Hiram Walker, the Canadian drinks group, before its acquisition by Allied-Lyons, has transformed Burn Stewart from a mainly bulk whisky broking business into a distiller, blender and bottler, with 2.4 per cent of the industry's volume sales.

Burn Stewart's stocks of new and mature whisky, valued at £7m when he took over, have been increased to about £35m. Last year, the company bought Deanston highland malt distillery, near Stirling, from Invergordon for £2.1m and acquired the Black Prince whisky brand from Bols, the Dutch drinks group. Mr Thornton, made an unsuccessful bid for Whyte & Mackay last year. Burn Stewart, which supplies own-label whisky to Waitrose and Asda, has already reduced its dependence on bulk sales of whisky. Bulk volumes are down from 80 per cent of total sales in 1988 to 55 per cent.

Fitzwilton drops 68% half-way to I£1.5m

By Richard Gourlay

FITZWILTON, the holding company headed by Irish-American businessman, Mr Tony O'Reilly, reported a 68 per cent fall in interim profits after significant downturn in its core motor distribution division.

Pre-tax profits fell from I£4.76m to I£1.51m (£1.39m) in the six months to June on sales up I£49.8m at I£237.8m.

Earnings per share fell from 3.02p to 0.87p and the group is to maintain its interim dividend at 1.5p.

Mr Patrick Dowling, the finance director, said the results were disappointing and showed that the group had been unable to avoid the ravages of the recession.

"Like others we never expected car sales this year to fall to 1.5m from 2.5m last year," he said. The company had cut costs, particularly at its Ford dealerships which have suffered from the manufacturer's loss of market share.

Trading profits in the motor division had fallen by about 50 per cent compared to the same period last year but the servicing and supply of spare parts continued to provide a secure earnings base.

The cash-and-carry division, which like Fitzwilton's motor business, is concentrated in the north of England, also experienced the worse trading conditions in recent years. Volume and sales just kept pace with inflation.

Mr Dowling said losses at Waterford Wedgwood had fallen from I£23m to I£3m in the first half compared to total losses last year of I£28m. Costs had been cut at Waterford Crystal and by trimming the distribution system in the US.

The group's gearing rose from 25 per cent to 54 per cent because of the purchase of three cash-and-carry outlets and four new dealerships last year. Mr Dowling said the businesses remained cash generative and should help reduce gearing by the year-end.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
British Telecom ....int	5.7	-	5.25	-	13.3
Fitzwilton ....int	1.5♣	Jan 2	1.5	-	3.5
Prowting ....int	1.7	Dec 9	1.7	-	5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ♣Irish currency.

Conder £9.9m loss in difficult trading

Conder Group, the Winchester-based construction and property group, reported pre-tax losses for the first half of 1991 of £9.93m, against £9.79m.

Turnover fell 40 per cent to £90.2m (£150m). An extraordinary gain of £11.9m, including the £13.2m profit on the sale of the products division, left a profit for the year of £1.95m, compared with a loss of £8.12m.

The pre-tax figure included a reduced loss from Elemeta of £3.85m (£14.4m) but higher exceptionals of £1.56m (£163,000), mainly the result of property write-downs. There was an interest charge of £1.46m against income of £50,000.

Losses per share were 23.9p (19.2p) or earnings of 4.7p after the extraordinary item.

Polly Peck preference money

Holders of Polly Peck International redeemable convertible preference shares issued at the time the group bought Sansui Electronics in 1989 may get most of their money back, Polly Peck's administrators said.

Holders of the shares are being invited to contact the administrators to arrange a meeting in the near future.

The shares were worth a total of $110m(£63.9m).

Japanese and US companies the major players

JAPANESE and US companies were the major players in last week's international mergers and acquisitions transactions, writes Brian Bollen.

Confirming a move which has been expected for some weeks now, electronics company Toshiba and trading house C Itoh are taking a joint 12.5 per cent stake in a venture with Time Warner. Billed as the latest instalment of Japanese Hardware meets US Software, the deal is more modest than Sony's 1989 takeover of Columbia Pictures and Matsushita's purchase of MCA.

Time Warner will benefit not only from the US$1bn cash injection but also from the transfer of most of its debt off its own balance sheet, onto Time Warner Entertainment's. The deal advances Time Warner's efforts to strengthen its balance sheet and forge strategic international alliances.

After months of rumour, troubled US car maker Chrysler eased its cash and debt problems for the moment by selling its 50 per cent stake its car assembly joint venture Diamond-Star Motors to Japanese partner Mitsubishi Motors.

Japanese synthetic fibre company Toray and precision equipment maker Shimadzu are teaming up to buy Therma-Wave, a California-based technology company.

Heading in the other direction, US aluminium producer Amax is forming a joint venture with Mitsui to promote Amax technology in Japan.

Japan also features in the purchase of German men's fashion company Hugo Boss, where control is changing hands for the second time in two years. Italian textile and clothing manufacturer Marzotto, advised by J P Morgan, is paying $165m to increase its turnover by around a third, and strengthen its business in France, Germany and the US.

Marzotto is buying the bulk of its stake directly from privately-owned Japanese sportswear specialist Leyton House.

American Brands, which failed in its efforts to take over Invergordon Distillers, can still choose from a wider range to drown its sorrows, after agreeing to buy the trademarks of seven spirits brands owned by Seagram of Canada. Seagram is concentrating on core brands and focusing on margins rather than market share.

Chase Manhattan continued its non-core disposals programme with the sale of its European leasing subsidiaries to Banco Hispano Americano, taking it out of vendor leasing.

Swedish office products group Esselte completed the divestment of its media interests, selling its pay TV channel FilmNet to a consortium led by Swiss holding company Compagnie Financiere Richemont and including FilmNet's senior management.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Toshiba (Japan)/C Itoh (Japan)	Time Warner Entertainment (US)	Film & Cable	£570m	TW cutting debt
Mitsubishi Motors (Japan)	Diamond-Star Motors (US)	Car assembly	£57m	Buying out Chrysler
Toray (Japan)/Shimadzu (Japan)	Therma-Wave (US)	Semiconductor equipment	£40m	Joint staged purchase
Vinten (UK)	Bexel (US)	Video equiment	£4.7m	Related share placement
Polar Electro (Finland)	Unit of Peek (UK)	Health & fitness	£4m	Sales - related deal
Amax (US)/Mitsui (Japan)	SSF Japan (JV)	Auto components	n/a	Promoting new technology
Consortium (International)	FilmNet	Pay TV	£80m	Esselte completes media divestments
Lemmerz-Werke (Germany)	Steel Wheels (UK)	Auto components	n/a	Sector internationalising
Banco Hispano Americano (Spain)	Unit of Chase Manhattan (US)	Leasing	n/a	Non-core disposal
Marzotto (Italy)	Hugo Boss (Germany)	Clothing	£95m	Complete by year-end

Source: FT Mergers – Acquisitions International

COMPANIES AND FINANCE

Shake-up costs and price cuts take toll at America West

By **Nikki Tait** in New York

AMERICA WEST, the bankrupt US domestic carrier in which Australia's Ansett Airlines holds a stake and which has a "frequent flier programme" link with the UK's Virgin Atlantic, has reported a net loss of $85.2m in the third quarter – up from a $22m deficit in the period a year ago.

Part of the damage comes from a $43.3m reorganisation charge, as the airline closed facilities, cancelled some new aircraft delivery contracts and reduced its fleet. However, even before this item, America West was showing a $41.8m deficit against a $22m loss, on operating revenues of $358.8m, up from $338.7m.

Some of the problem relates to the airline's actions earlier this year. The carrier was an extremely aggressive price-cutter during the Gulf crisis, and some of those deeply discounted tickets applied to the summer months. America West's yield – average passenger revenue per passenger mile – fell to 9.77 cents in the quarter, while many of the stronger carriers are earning more than 12 cents.

However, the airline said that if the current trends in yield improvement and advance bookings continued, it could break even at the operating level in the first quarter of 1992. It added that 90 per cent of the very cheap tickets had been used. The company secured a financing package from Britain's GPA Group and Northwest Airlines of the US this autumn, and said that cash on hand at the end of the third quarter was $37m.

Nedlloyd to sell unit stake and refocus on core groups

NEDLLOYD, the Dutch shipping and transport group, said it planned to divest a 50 per cent stake in Verbrugge de Meyer, the trans-shipment group, as part of a strategy of refocusing on its core businesses, shipping and land transport, writes Ronald van de Krol in Amsterdam.

The company will sell its shares to two members of the Verbrugge family, who own the outstanding 50 per cent stake and manage the group.

Nedlloyd declined to give financial details or disclose Verbrugge de Meyer's annual turnover. The company has been selling off peripheral businesses, partly because of pressure applied by its biggest shareholder, Mr Torstein Hagen, a Norwegian investor.

Verbrugge de Meyer, which employs 950 people, operates a bulk terminal in the port of Rotterdam for phosphates, minerals and fertilisers, and trans-ships forest products, industrial cleaners and waste disposal products.

Lion Nathan posts strong growth

LION NATHAN, the New Zealand brewing group, yesterday announced a 16.9 per cent rise in net profit to NZ$70m (US$39m) for the year to August 30, writes Terry Hall in Wellington.

The company said earnings growth was strong at its 50 per cent joint venture which controls the former Bond Brewing interests in Australia, and performance improved in New Zealand.

The company is seeking consents to buy the remaining half of the Australian company, and announced a one-for-seven issue of convertible notes at a price of NZ$3.45, which will raise NZ$200m towards funding the purchase and retiring debt.

Directors said that economic conditions and deregulation in Australasia would continue to put pressure on the business, but they expected another satisfactory profit this financial year. Assets outside the beverage business would be sold.

Vietnam Fund attracts only $10m

By **Alexander Nicoll**, Asia Editor

THE FIRST fund specialising in investments in Vietnam is set to begin operations with just over $10m subscribed.

Units in the Vietnam Fund, listed in Dublin, have been placed by Smith New Court Far East. The fund's arrangers are Asia Securities Global and Lloyds Bank Fund Management, and the manager is a specially constituted Hong Kong company, Vietnam Fund Management.

The fund will take minority stakes in companies and projects in Vietnam which are designed to earn hard currency, and which are managed or substantially controlled by non-Vietnamese companies. The projects would fall under Vietnam's foreign investment law.

The original target for the fund had been $30m, but the response from Japanese investors in particular was disappointing. US companies are barred by their government from investing in Vietnam, and the Japanese government's official position is to observe the embargo.

The fund plans to invite subscriptions to a second tranche when the US embargo is lifted.

The management company is unusual in that its shareholders include two Soviet entities, Technoexport and Technopromexport, as well as British, Korean, Malaysian, Taiwanese and Thai companies.

Mr Martin Adams, its managing director, said the fund would take stakes, normally of about 25 per cent, in about five or six projects in Vietnam.

The intention was to have strong asset backing. Property ventures – such as those providing office or residential accommodation to foreigners – would be of particular interest, he said.

A second fund, being put together by Crédit Lyonnais Securities in Hong Kong, was authorised by the Hanoi government in October and is expected to come to market shortly. It plans to invest in Vietnamese rather than foreign-controlled ventures.

JAPANESE INTERIM RESULTS

Machine sales lift shipbuilders

By **Robert Thomson** in Tokyo

TWO Japanese shipbuilders, Hitachi Zosen and Mitsui Engineering, have reported large increases in pre-tax profit for the first half, but attributed the improvement more to demand for heavy industrial machinery than to increased sales of vessels.

Hitachi Zosen said pre-tax profits rose 133.7 per cent to Y4.7bn ($35.8m) in the six months to the end of September, on a 12.8 per cent increase in sales to Y117.3bn.

Orders for vessels fell 11.4 per cent, while heavy equipment sales increased by 69.7 per cent.

For the year, Hitachi Zosen expects sales of Y310bn, up from Y266bn last year, and expects to more than double its pre-tax profit to Y12bn.

In common with other Japanese shipbuilders, the company is expecting a rise in vessel prices in coming months, as the restructured Japanese industry says that the order books are full for the next two to three years.

Mitsui Engineering and Shipbuilding said pre-tax profits rose 26.4 per cent to Y3.48bn, in spite of a 9.5 per cent fall in sales to Y94.3bn.

The company said that profitability had improved in the shipbuilding division, which accounts for about 34 per cent of sales, and although ship orders are increasing, sales for the year are expected to be Y310bn, about the same as last year.

Pre-tax profit for the year is forecast at Y5.5bn, up from Y4.9bn.

● Komatsu, the Japanese construction equipment maker, reported a 16.5 per cent fall in pre-tax profit to Y20.3bn for the first half to end-September, as the slowdown in domestic property development hurt sales of excavators and bulldozers.

Sales fell 9.5 per cent to Y301.6bn, with domestic sales of construction equipment declining 8.9 per cent and overseas sales down 19.5 per cent. The latter figure reflected the sluggish growth in the international economy.

HK exchange agrees reforms with watchdog

By **Angus Foster** in Hong Kong

HONG KONG's Securities and Futures Commission and stock exchange appear to have solved a long-running dispute about exchange reforms and have agreed a compromise package.

The revised reforms will take effect in time for the exchange's next annual general meeting, when its ruling council for next year will be elected.

The reforms clear the way for the council to be expanded to represent a wider cross-section of exchange members and market users. This is designed to stop any interest group dominating the exchange.

So that reform can be introduced voluntarily, both sides have agreed to appeal jointly to the Executive Council, Hong Kong's highest policy-making body. The council has the power effectively to swap a package of reforms imposed by the commission, now in effect, for the agreed package.

Legislation will also be put forward, with exchange backing, to make other changes the commission deems important. These involve the exchange owing its primary responsibility to the public rather than its members, and to restrict the use of proxy votes.

The reforms would be the last required by the commission to bring the exchange into line with international standards.

● China Light and Power, the utility which supplies electricity to Kowloon and the New Territories, announced a 23.6 per cent increase in net profits to HK$2.85bn (US$367m) for the year to the end of September.

Turnover grew 11.8 per cent to HK$11.84bn, as sales increased 10.5 per cent.

Wagons-Lits takeover approved

BELGIUM's regulatory Banking and Finance Commission has approved the prospectus on a takeover bid for Wagons-Lits, the Franco-Belgian travel and tourism group, from Accor, the French hotel group, Reuter reports from Brussels.

The decision, taken after discussions on October 31, means the bid can go ahead on the proposed date of November 7.

The commission said on Tuesday it did not have all the necessary elements to approve the prospectus for the BFr8,650 ($144) a share offer.

It had required further information in the prospectus, and said there was more than one problem to resolve, but declined to comment in detail.

Sale of Reuter shares lifts NZ publisher

By **Terry Hall** in Wellington

WILSON and Horton, a publisher of magazines and newspapers including the New Zealand Herald, has reported a 4.6 per cent fall in after-tax profit to NZ$14.9m (US$8.3m) in the half-year to September 30. A sale of 500,000 Reuter shares for NZ$10m lifted the bottom-line profit to NZ$24.5m.

In the previous financial year, Reuter shares worth NZ$13.2m were sold, and both parcels have been used to offset redundancy costs. The latest results included six months' trading for The New Zealand Listener, the country's biggest selling magazine, bought from the state broadcasting system last year, and which has become profitable after a major restructuring. Earnings per share were 41.3 cents against 43.3 cents.

● Fisher and Paykel, the white goods manufacturer, said after-tax profit fell 63 per cent to NZ$1.88m in the six months to September 30. However, directors said they expected an improvement in the second half, provided the New Zealand economy did not contract further.

The downturn in the domestic market was partially offset by growth in overseas sales. The interim dividend was trimmed by 2 cents to 6 cents.

INTERNATIONAL CAPITAL MARKETS

UK GILTS

City misses Lawson as Lamont speaks

THE gilt-edged securities market had another nervy week, ahead of this Wednesday's autumn statement on the economy which is likely to be accompanied by news of big pressures on the government's finances in the coming financial year.

But yields on most classes of bonds did fall slightly. They were pushed down by about 10 basis points (0.1 per cent), with a ½ point fall in prices on Friday failing by a small fraction to outweigh a price rise earlier in the week.

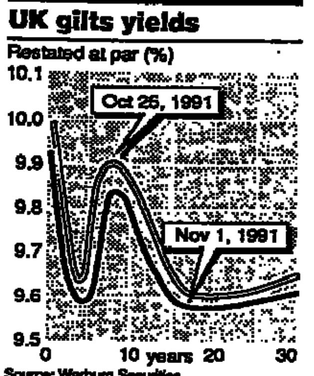
The decline at the end of the week rounded off a dismal month, in which yields rose and prices fell. Behind the events on Friday was disappointment at the failure of Mr Norman Lamont, the chancellor, to announce changes in the funding process for what looks likely to be a series of large budget deficits during the next few years.

Mr Lamont had a golden opportunity to discuss such a shift during his speech on Thursday night to the annual Lord Mayor's banquet for the merchants and bankers of the City. However, the address was a rather inconsequential affair, causing several gilt practitioners to cast their thoughts back to the mid-1980s, when Mr Nigel Lawson, then chancellor, would often use these gatherings to announce innovatory and highly technical changes involving monetary policy and gilt-market operations. "Although we sometimes had trouble following what Mr Lawson was saying, he did make the market think," said one gilt specialist. "Come back Mr Lawson, all is forgiven!" said another.

One of the ideas which some of the more fertile brains in the market had thought Mr Lamont might put his name to in the City speech concerned finance raised from Ecu-denominated bonds. It had been thought the government might agree to divert some of this cash from the foreign-currency reserves into the tranche of Treasury money earmarked for public spending, so reducing the likely gilt issuance during the next few years and putting a floor under bond prices. Speculation of this sort was behind the tentative rise in prices early last week.

UK gilts yields

Restated at par (%)



Source: Warburg Securities

But with Mr Lamont being moved to announce nothing more dramatic than the issue of three-year Ecu notes – viewed as small beer by the gilt market – gilt operators had little in the way of concrete economic news apart from the quarterly trends survey from the Confederation of British Industry. For government bonds, this was interpreted as having a neutral effect, as its indication of a slow, non-inflationary recovery from the recession was broadly in line with market forecasts.

This left gilt traders preoccupied with the slump in prices over the last month. According to J.P. Morgan, the US bank, gilts were the worst performers of the leading government bonds during October. They showed a return of 0.27 per cent, as opposed to the returns on French, US, Japanese and German instruments of 1.14 per cent, 0.95 per cent, 0.86 per cent and 0.65 per cent.

In the autumn statement, Mr Lamont is thought likely to announce an extra £7bn ($12bn) or so in government spending for 1992-93, taking the total to about £260bn. With government revenues likely to be rather less than the £240bn pencilled in by the Treasury, that could mean a public sector borrowing requirement of more than £20bn, to follow the figure of about £12bn likely for 1991-92. The sharp rise in gilt issues that the high borrowing figures would involve and the consequent slide in bond prices, are giving traders some anxious thoughts as they await Mr Lamont's announcement.

Peter Marsh

CANADIAN BONDS

Record-setting feast may be on last course

CANADIAN government bonds are enjoying their strongest bull run in recent memory. But how long will it last?

Foreign investors, mostly in the UK, Germany and Japan, poured a record C$4.7bn (US$3.9bn) into Canadian securities in August, more than half of it into bonds. Although official figures are unavailable as yet, the stampede appears to have continued unabated in September and October. Inflows for the year are set to surpass the 1986 record of C$22.5bn.

The yield on 10-year federal government bonds has tumbled from almost 11 per cent at the end of May to 8.6 per cent on Friday. More significantly, the spread between Canadian and US yields has narrowed in the last five months from 186 to 118 basis points, without any sign of investor nervousness.

Canadian bonds were trading at wide premiums to those of most other industrial countries earlier this year. Now they only yield significantly more than US and Japanese securities.

The addition of a strong currency has provided overall yields of up to 30 per cent to foreign investors this year. The Canadian dollar has jumped from a value of 86.2 US cents in January to 89.28 cents on Friday.

The enthusiasm is explained mainly by a dramatic improvement in Canada's inflation outlook. An unexpectedly deep recession has taken its toll on prices and wage settlements.

Most economists now predict that Ottawa will easily achieve its target of bringing the yearly inflation rate to less than 3 per cent by the end of next year. The year-on-year rise in the consumer price index is presently more than 5 per cent. But the biggest chunk of recent increases stem from the 7 per cent goods and services tax, which took effect in January.

Although monetary conditions have eased in recent weeks, outsiders appear confident that after four years of giving high priority to fighting inflation, the Bank of Canada is not about to countenance growth at the expense of price stability.

Describing the Bank of Canada as "the Bundesbank of North America", Mr David Adamo, director of fixed income research at Scotia-McLeod in Toronto, says that "Canada looks as tight-fisted as ever compared to the US".

The economic recovery is more tenuous than it seemed a month or two ago. News last Thursday that gross domestic product had slipped by 0.3 per cent in August prompted an immediate 13-point cut in the bellwether Bank of Canada rate. At 8.04 per cent, the bank rate is now at its lowest in almost five years.

Bond yields and spreads could drop further. Canada is likely to tag along for the time being with any fall in US interest rates. In addition, Salomon Brothers, the New York investment bank, concluded last week that there was still "ample scope" for further reductions in Canada/US spreads. It predicted that the yield on 10-year Canadas could fall to 8.25 per cent by next summer, with the gap between US and Canadian bonds tightening to 80 basis points.

Burns Fry, a Toronto securities firm, also forecasts spreads narrowing to 100 points or less, based on low inflation, a slack economy and a more accommodating monetary policy.

Nonetheless, words of caution are starting to be heard. The average historical spread on 10-year Canadian bonds is about 110 basis points. Most economists are confident that interest rates are now about low enough to revive business and consumer spending. There is also the risk of financial markets being rattled by the row about Quebec separatism.

All in all, while prices may rise a little more, the Canada bond feast appears to be down to its last course or two.

Bernard Simon

US MONEY AND CREDIT

Carry on easing, analysts urge Fed

THE Federal Reserve eased monetary conditions last week in an attempt to shore up a sagging US recovery, but the economic statistics have been so poor during the last few days that much of Wall Street is now confidently forecasting another cut in interest rates.

The Fed's policy-making Open Market Committee meets on Tuesday and analysts are expecting it to consider a half-point cut in the discount rate – the rate at which banks borrow from the central bank – to 4.5 per cent, taking it below 5 per cent for the first time since 1973. That would clear the way for a drop in the Fed funds rate from 5 per cent to 4.75 per cent.

Some even suggest that the Fed may have to ease before or during this week's $38bn quarterly refunding exercise, which also begins on Tuesday and will raise $14bn in three-year notes, $12bn in 10-year notes and $12bn in 30-year bonds.

However, there are powerful reasons for it to wait. First, a second round of rate cutting, coming so soon after last week's move, might smack of panic and political expediency and raise fears of rekindled inflation.

The Fed has been under strong pressure to cut rates from the White House, which, with just 12 months to go to a presidential election, is growing increasingly concerned at the economy's refusal to jump start. Mr Marlin Fitzwater, the White House spokesperson, said on Friday that rates could fall further. "Lower interest rates have always been a good way of stimulating the economy," he declared.

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	4.08	5.19	4.75	11.00	2.00
Three-month Treasury bills	4.88	5.09	5.15	8.29	4.88
Six-month Treasury bills	4.96	5.03	5.27	7.70	4.96
Three-month prime CDs	5.10	5.35	5.42	7.17	5.10
30-day Commercial Paper	5.00	5.20	5.27	7.12	5.00
90-day Commercial Paper	5.06	5.25	5.30	7.02	5.06

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	99[illegible]	+[illegible]	7.14	7.35	7.14
20-year Treasury	113[illegible]	+[illegible]	7.76	7.86	7.66
30-year Treasury	102[illegible]	+1[illegible]	7.93	8.04	7.78

Money supply: In the week ended October 21, M1 rose by $9.6bn to $882.6bn

Second, the sudden despondency over last week's economic statistics may have been overdone, since there remain a few rays of light amid the gloom. Third, an early cut in rates would exert further downward pressure on the already sagging dollar and could diminish foreign interest in the Treasury auction.

Mr Alan Greenspan, the Fed chairman, made clear his renewed concern about the economy last Monday, when he said that it was "demonstrably sluggish" and the "spark" it had shown last spring was now gone. Two days later the Fed allowed its target rate for Fed funds to drop from 5.25 per cent to 5 per cent.

Last week's raft of statistics underscored his concern. Friday's labour report showed a slight dip in non-farm payrolls, whereas Wall Street had been expecting a slight gain, while the unemployment rate rose from 6.7 per cent to 6.8 per cent. Perhaps most worrying was a dip in manufacturing employment – supposed to be the sector driving recovery – for the second month running.

These hints of slowing industrial expansion were underlined by the first drop since December in the index from the National Association of Purchasing Managers – although it remained above 50 per cent, indicating that manufacturing is expanding rather than contracting.

The consumer side of the economy was equally gloomy, with a plunge in September's new home sales, and a sharp drop in consumer confidence indices. All this increases the possibility of a "double dip" recession.

Yet despite the gloom, the economy is still expanding, and figures released last week showed gross national product growing in the July to September quarter by 2.4 per cent, roughly what Wall Street expected, after three quarters of decline. Money supply M2, which had dipped below the Fed's target range in recent months, is now back within the band – albeit well below the mid-point of the range – following three consecutive weeks of M2 growth. This suggests some stability may be returning to the aggregates.

The combined effect of last week's news was to send bond prices sharply higher, with the benchmark 30-year issue ending the week with an 11 basis point drop in yield, to around 7.93 per cent. At the short end, the yield on the two-year note dropped 30 basis points to 5.63 per cent, accentuating the positive slope of the yield curve.

Inflationary fears have kept the long end of the maturity spectrum from participating fully in the rally, and those fears will be tested at this week's refunding auctions, which will coincide with the release of October producer and consumer prices.

Inflation still appears to be moderating, with analysts looking for a 0.1 per cent rise in the October consumer index, following a disappointing September report. Yet concern about the size of the Federal budget deficit, and possible attempts by Washington to inflate its way out of slow growth in an election year, will continue to hold back long bonds. However, further Fed easing could help push their yields towards 7.75 per cent.

Martin Dickson

FT/AIBD INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
[illegible]				

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price.

Closing prices on November 1

INTERNATIONAL CAPITAL MARKETS

SYNDICATED LOANS

Lending figures fall but demand remains

BANK-lending may not be as buoyant as it once was, but there is no shortage of demand for credits – shown by the current spate of refinancings, capital investment programmes and acquisitions that banks are being asked to support.

Syndicated bank lending reached $62.9bn in the first eight months of this year, down 16 per cent from the same period in 1990. By comparison, total borrowing in the international financial markets jumped by 14 per cent.

In 1988, 28 per cent of company borrowing came via syndicated credits – in the first part of this year, that percentage had fallen to 20 per cent.

But there has been a steady flow of transactions – most, not surprisingly, refinancings. Those announced this week include:

● A £145m refinancing for Bretton Financial Services, a subsidiary of Royal Life. The troubled UK insurer is attempting, with the help of Baring Brothers, to refinance the entire balance sheet of its subsidiary, which specialises in low-start mortgages.

The 18-month facility, at a margin of 55 basis points above the London interbank offered rate, replaces several existing sources of finance, mainly a one-year deal which expires at the end of the year. The success of the transaction could indicate how easily Royal could repair its finances if, as is widely expected, it turns to the capital markets for cash.

● A $250m three-year letter of credit facility for Pirelli. This replaces an 18-month "evergreen" (or renewable) agreement. There is a utilisation fee of 50 basis points over Libor, while the commitment fee is 20 basis points.

● A $130m, five-year term loan for General Utilities, the holding company for the UK water company assets of Compagnie Générale des Eaux, the French group. The transaction, brought by Manufacturers Hanover, is to support the group's capital spending programme. Currently being underwritten, it is being brought at 42.5 basis points above Libor.

● Two $100m facilities arranged by Credit Suisse First Boston for US borrowers, National Health Labs and South Carolina National Corporation. The first is at 1 percentage point over Libor, falling to 75 basis points during its five-year life, with a commitment fee of ⅛ per cent. The second, a 364-day facility, is being offered at a margin of ⅛ per cent, with a $\frac{1}{16}$ per cent facility fee.

Both are being arranged in the international market rather than in the US, despite the banks' perception that the usual pricing differential which has made the US syndicated loans market more expensive has evaporated.

Richard Waters

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	900.0	90.0	0.0	14,339.6
Prev	1,055.6	17.6	165.0	12,238.5
Other	3,801.7	0.0	15.3	5,667.9
Prev	2,745.6	0.0	371.5	7,421.3
Secondary Market				
US$	24,380.7	1,217.4	8,517.4	10,771.9
Prev	23,810.5	1,429.9	10,133.5	7,641.0
Other	46,072.5	955.3	5,155.3	81,114.1
Prev	44,285.9	1,118.6	4,079.3	79,333.6

	Cedel	Euroclear	Total
US$	22,441.4	37,775.6	60,217.0
Prev	21,811.3	34,680.3	56,491.6
Other	50,568.5	92,213.6	142,782.1
Prev	48,719.5	90,636.3	139,355.8

Week to October 31, 1991

Source: AIBD

NRI TOKYO BOND INDEX

December 1983 = 100	31/10/91	Average yield (%)	Last week	12 wks ago	26 wks ago
	PERFORMANCE INDEX				
Overall	164.58	6.13	164.48	158.19	154.36
Government Bonds	162.67	5.99	162.73	155.95	152.23
Municipal Bonds	166.92	6.33	166.71	160.19	156.12
Govt.-guaranteed Bonds	169.36	6.37	169.15	162.89	158.86
Bank Debentures	160.90	6.02	160.68	155.12	151.31
Corporate Bonds	167.20	6.78	166.85	160.77	157.26
Yen-denom. Foreign Bonds	172.17	7.14	171.95	166.26	161.71
Government 10-year†	6.03		5.97	6.48	6.59

† Estimated par yield

Source: Nomura Research Institute

INTERNATIONAL BONDS

Three-year Ecu programme should appeal to banks

THE Ecu bond market, labouring under uncertainty about the future of the currency, volatile trading conditions in the secondary market and a becalmed primary market, was cheered by at least one piece of news last week.

In his Mansion House speech, the Chancellor, Mr Norman Lamont, unveiled plans to create an Ecu-denominated three-year Treasury note programme, to complement the existing T-bill programme.

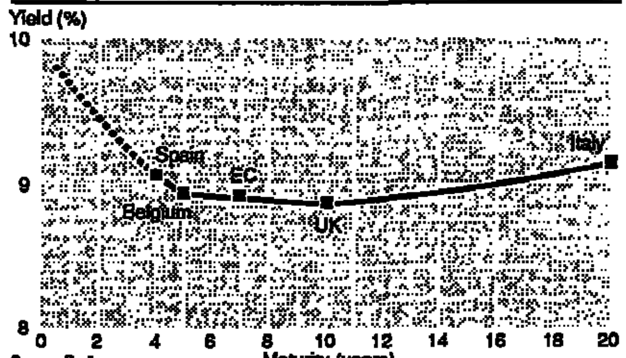
The programme, which will start early next year, will fill a vital gap in the Ecu yield curve, providing a boost for liquidity, which still tends to be patchy. It will enable traders to shift their positions along the yield curve with far greater ease.

In the money markets, the UK's Ecu T-bill programme is the only government-backed paper available. There is also some commercial paper and certificates of deposits. Further along the yield curve, actively traded Eurobond issues are concentrated between five and 10-year maturities.

The lack of paper in the shorter maturities results from lack of supply rather than lack of demand. Many borrowers want to lock in medium to long-term funding, so that they will not be faced with potential refinancing difficulties. Dealers said the new paper was likely to appeal in particular to central banks, which are often active at the short end.

The size of the programme is likely to equal or exceed the outstanding Ecu3.6bn of T-bills. It will be structured to resemble the T-bill programme, but auctions will probably be held quarterly, rather than monthly. There will be a system of market-makers, and notes will be fungible, so that each issue of notes reaches a reasonable critical mass (that is, the notes issued at the first three or four auctions will have the same maturity date, until the maturity is down to nearly two years, when a new three-year note will be issued).

Ecu bond yield curve



Source: Paribas

As well as improving liquidity, the move will be felt on other levels. For example, the existence of a benchmark, which can be a basis for pricing new issues, may encourage more corporates to tap the short end of the market.

There will also be benefits for the swap market. Banks active in this sector have often found it difficult to hedge their positions, especially at this area of the yield curve. The greater ease of hedging should now encourage more activity in the three-year area.

The existence of the programme could also boost volume in the three-month Ecu interest-rate contracts traded on the London International Financial Futures Exchange, because traders will be able to use a technique called "stacking" to hedge positions at the short end of the market. Stacking involves taking positions in a series of contracts to create, synthetically, a nine-month or a 12-month future. When some of the Treasury notes start to mature, there will thus be a cash and futures market which did not exist previously.

The new programme, which has been widely discussed with market participants, compensates for any disappointment that there will be no Ecu bond programme, used to fund expenditure. (Currently all Ecu funding goes into reserves.)

The signs are that the Bank of England favours the note programme, rather than further Eurobond issues, as its key contribution to the market's liquidity.

The move is also part of a broader strategy to develop the Ecu market in London. Recently, the Bank of England announced a liquidity facility to ease clearing of Ecu.

The next step is likely to be the start of a book-entry settlement system for Ecu securities. Currently, Ecu bonds are cleared through Euroclear or Cedel, but these systems do not facilitate activity in the repo market – which involves lending or borrowing securities. The Central Gilts Office's real-time system would be adapted to provide a day facility for the Ecu market.

Tracy Corrigan

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Sun Wave Corp(a)♦†	100	1995	4	4	100	Daiwa Europe	4.000
Tokimec Inc.(o)♦†	50	1995	4	4¼	100	Nikko Europe	4.250
Ssangyong Cement Ind.(l)§†	70	2005	14	3	100	Ssangyong Secs.Europe	3.000
Nestle Holdings†	200	1996	5	7⅛	101.24	CSFB	6.828
St.Cr.Card Mster.Trst 1(r)†	650	1993	2	6¼	99.87	First Boston	6.320
St.Cr.Card Mster.Trst 1(r)†	850	1998	7	7⅞	99.55	First Boston	7.960
Bk of Tokyo (Curacao)(s)‡†	100	2001	10	(t)	100.10	Bk of Tokyo Cap.Mkts.	-
ECUs							
City of Stockholm†	175	1996	5	9¼	101.72	SBC	8.817
STERLING							
Great Portland Estates†	100	2021	29.833	10¼	99.183	Baring Bros.	10.840
Compagnie Bancaire†	75	1996	5	10½	101.43	BZW	10.128
Secured Loan Fin.No.1(l)‡†	75	2018	27	(l)	100	Goldman Sachs	-
Guinness†	150	1997	5.167	10⅝	101⅝	CSFB	10.205
Thames Water Util.Fin.†	150	2001	10	10½	101.28	CSFB	10.292
CANADIAN DOLLARS							
CIBC (London Branch)†	150	1997	6	9⅛	101.225	Wood Gundy	8.817
Toyota Motor Credit Corp†	150	1997	6	9	101¾	Hambros Bank	8.620
Royal Bk of Can.(London)†	150	1997	5	9⅛	101.275	RBC Dom.Secs.Int.	8.804
AUSTRALIAN DOLLARS							
GMAC Australia Finance†	75	1995	4	10	101.95	Westpac Bank Corp	9.404
Shell Australia†	100	1997	6	10	101.95	Hambros Bank	9.565
FRENCH FRANCS							
Pernod Ricard(e)†	400	1996	5	zero	100	Societe Generale	-
Compagnie Bancaire(m)†	1.5bn	1995	3½	9⅛	100.425	CCF	8.981
D-MARKS							
Sekisui Jushi Corp(b)♦†	70	1995	4	5¼	100	Yamaichi Int.GmbH	5.250
Deutsche Finance BV†	750	1995	4	8¾	101.65	Deutsche Bank	8.257
Nederlandse Gasunie†	180	1998	7	8⅜	102.20	JP Morgan GmbH	7.959
Deutsche Ausg'bank(f)‡†	75	2001	10	(f)	100.05	Trinkaus & Burkhardt	-
Deutsche Ausg'bank(g)‡†	50	2001	10	(g)	100	Trinkaus & Burkhardt	-
LKB Baden Wuer'berg Fin.†	500	2001	10	8¼	102⅛	Deutsche Bank	7.938
CB Finance Co.BV†	500	1995	4	8¾	101.40	Commerzbank	8.331
Bertelsmann Int.Fin†	250	1998	7	8½	101½	Deutsche Bank	8.214
Republic of Finland†	300	1998	7	8⅝	101⅞	Dresdner Bank	8.267

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
SWISS FRANCS							
Nippon Chemiphar(c)★★♦†	100	1995	-	4½	100	Bque.Paribas (Suisse)	4.500
Capcom(h)★★§†	100	1996	-	4¼	100	Nomura Bk (Switz)	4.294
Suncall Corp(d)★★§†	40	1996	-	2½	78	Citibank (Switz) AG	8.890
Suncall Corp(a)★★♦†	30	1995	-	4½	100	Citibank (Switz) AG	4.500
Daimler-Benz Int.Fin.†	150	1995	-	7¼	101¾	UBS	6.744
Atsugi Nylon Ind.(j)★★§	290	1995	-	6	100	SBC	6.090
Tsuzuki Denki Kogyo(k)★★♦	70	1995	-	4½	100	Credit Suisse	4.500
Deutsche Bk Finance★★†	100	1998	-	7½	101¾	Deutsche Bk (Suisse)	7.078
Chuo Build Ind.(p)★★§†	30	1996	-	6	100	Yamaichi Bk (Switz)	5.998
LIRE							
KFW Int.Finance Inc†	200bn	1998	7	11⅝	101.80	Bca.Comm.Italiana	11.247
WestLB Fin.N'lands†	150bn	1996	5	11¾	101¾	Bca.Nazionale d'Lavoro	11.283
Swedish Export Credit†	150bn	1998	7	11.7	101.775	IMI Bank (Lux)	11.326
PESETAS							
Electricite de France(n)†	10bn	1995	4	11.15	101½	Banco Bilbao Vizcaya	10.679
DANISH KRONER							
Finance for Danish Ind.†	250	1998	7	9⅛	101⅝	Kredietbank Int.	8.809
ICELANDIC KRONUR							
Nordic Investment Bk(q)†	1.5bn	1996	5	(r)	101¾	Skan.Ensk.Bken C.M.	-
Nordic Investment Bk†	1bn	1994	3	13	100.45	JP Morgan	12.815
YEN							
Teijin Ltd†	20bn	2001	9¼	6.4	101⅝	Daiwa Europe	6.165
EIB†	50bn	1999	8	5⅞	99.70	IBJ Int.	5.923
LUXEMBOURG FRANCS							
Thomson Brands Int.BV★★†	600	1996	5	9¼	102.15	KBL	8.710
IPPA Fin Co.★★†	750	1999	8	9⅜	102.45	Cregem Int.	8.940
Bque.Worms (Paris)†	800	1998	7	9¼	102	BCEE	8.860

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. ◆Variable rate notes. †Final terms. a) Exercise premium fixed at 2.5%. Non-callable. b) Exercise premium fixed at 2.51%. Non-callable. c) Exercise premium fixed at 2.56%. Non-callable. d) Conversion premium fixed at 2.5%. Coupon payable semi-annually. e) Redemption linked to share price up to a maximum of 290% of face value. Non-callable. f) Coupon pays 11% for first 2 years, then 15% minus 6-month Libor thereafter. g) Coupon pays 9¾% for first 3 years, then 15% minus 6-month Libor thereafter. h) Put option 31/3/94 at 106⅜% to yield 7.545%. Coupon payable semi-annually. i) Conversion premium fixed at 23%. Callable from 1/1/94 at 104% declining 1% annually. Put option 14/11/96 at 123¾% to yield 7⅞-7½%. j) Coupon payable semi-annually. Non-callable. k) Callable 14/11/93 at 101% declining ½% annually. l) Mortgage-backed issue. Coupon pays 3-month Libor – 0.7% until 10/98, then 3-month Libor + 2½% thereafter. Callable on or after 1/94. Average life - 3.8 years. m) Fungible with existing FFr1.45bn deal. n) Matador issue. Non-callable. o) Exercise premium fixed at 2.63%. Non-callable. p) Conversion premium fixed at 2.5%. Non-callable. q) Coupon pays Icelandic Credit Terms Index + 6¼%. Non-callable. r) Backed by credit cards originated from Citibank. Non-callable. s) One time call option after 3 years at par. Coupon pays 3-month Libor + 35bp for first 3 years, then 9½% thereafter. Note: Yields are calculated on AIBD basis.

WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Nov 1	Oct 31	Oct 30	Oct 29	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	3056.35	3069.10	3071.78	3061.94	3077.15 (18/10)	2470.30 (9/1)	3077.15 (18/10/91)	41.22 (2/7/32)
Home Bonds	97.40	97.21	97.20	97.02	97.55 (18/10)	91.30 (16/1)	97.56 (18/10/91)	54.99 (1/10/81)
Transport	1280.83	1283.07	1282.32	1274.48	1287.56 (18/10)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	215.64	216.01	216.57	215.01	220.89 (16/4)	195.17 (10/7)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3091.91 (3091.01) Low 3031.75 (3045.62)

STANDARD AND POOR'S	Nov 1	Oct 31	Oct 30	Oct 29	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	391.32	392.45	392.96	391.48	396.64 (28/8)	311.49 (9/1)	396.64 (28/8/91)	4.40 (1/6/32)
Industrials	461.43	462.95	463.60	462.61	472.01 (29/8)	364.90 (9/1)	472.01 (29/8/91)	3.62 (21/6/32)
Financial	31.80	32.00	32.12	31.63	32.24 (14/8)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	216.01	216.54	216.48	215.58	217.17 (28/8)	170.97 (9/1)	217.17 (28/8/91)	4.46 (25/4/42)
Amex Mkt. Value	386.85	387.31	384.18	381.62	387.31 (31/10)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	540.93	542.98	541.32	534.51	542.98 (31/10)	355.75 (14/1)	542.98 (31/10/91)	54.87 (31/10/72)

	Oct 25	Oct 18	Oct 11	year ago (approx.)
Dow Industrial Div. Yield	3.09	3.00	3.10	4.17
	Oct 30	Oct 23	Oct 16	year ago (approx.)
S & P Industrial div. yield	2.71	2.73	2.69	3.42
S & P Indl. P/E ratio	21.37	21.17	21.44	14.86

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
RJR Nabisco	3,687,600	10½	+ ¼
Texaco	2,272,000	65⅛	.....
IBM	2,185,100	98¼	.....
Philip Morris	2,064,800	69	- 1⅛
Amer Express	2,028,400	19¼	+ ⅛
Adv Micro	1,876,200	12¼	- ½
Syntex	1,865,400	45⅛	- ⅛
Total	1,842,300	22⅞	+ ⅛
Am T & T	1,801,900	38⅝	- ¼
GTE Corp	1,701,500	32¼	+ ½

TRADING ACTIVITY

† Volume (Millions)	Nov 1	Oct 31	Oct 30
New York SE	205.750	179.490	195.340
Amex	13.677	20.186	14.265
NASDAQ	205.424	228.516	202.586
NYSE			
Issues Traded	2,120	2,145	2,149
Rises	765	903	981
Falls	813	714	655
Unchanged	542	528	513
New Highs	111	119	125
New Lows	12	11	14

CANADA

TORONTO	Nov 1	Oct 31	Oct 30	Oct 29	1991 HIGH	1991 LOW
Metals & Minerals	3013.57	3038.01	3004.25	3001.05	3299.99 (18/7)	2632.06 (9/1)
Composite	3512.60	3515.76	3497.60	3485.42	3582.07 (7/6)	3161.95 (15/1)
MONTREAL Portfolio	1856.94	1864.31	1855.00	1848.02	1903.86 (7/6)	1686.89 (9/1)

Base values of all Indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Nov 1	Oct 31	Oct 30	Oct 29	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1684.1	1683.0	1663.7	1651.7	1684.1 (1/11)	1204.5 (16/1)
All Mining (1/1/80)	672.1	672.6	664.5	666.0	707.2 (24/7)	561.6 (16/1)
AUSTRIA						
Credit Aktien (30/12/84)	(c)	387.12	389.73	399.61	534.81 (16/4)	387.12 (31/10)
BELGIUM						
BEL20 (1/1/91)	(c)	1101.03	1102.15	1104.09	1212.15 (17/4)	917.59 (17/1)
DENMARK						
Copenhagen SE (3/1/83)	367.32	366.70	367.26	366.94	380.04 (2/8)	302.26 (8/1)
FINLAND						
HEX General (28/12/90)	829.0	836.7	833.8	836.9	1186.9 (3/4)	829.0 (1/11)
FRANCE						
CAC General (31/12/82)	(c)	494.72	493.71	495.58	497.62 (2/10)	394.98 (15/1)
CAC 40 (31/12/87)	(c)	1856.67	1861.80	1853.50	1887.29 (1/10)	1425.26 (15/1)
GERMANY						
FAZ Aktien (31/12/58)	649.11	652.73	656.83	655.13	717.43 (17/6)	570.48 (15/1)
Commerzbank (1/12/53)	1827.00	1836.90	1849.5	1843.9	2036.2 (31/5)	1612.5 (15/1)
DAX (30/12/87)	1573.55	1582.06	1582.83	1590.75	1715.80 (11/6)	1311.82 (16/1)
HONG KONG						
Hang Seng Bank (31/7/64)	4037.82	4038.74	4020.04	4000.05	4093.41 (3/10)	2984.01 (16/1)
IRELAND						
ISEQ Overall (4/1/88)	1434.64	1431.97	1431.27	1431.87	1520.65 (15/3)	1114.86 (25/1)
ITALY						
Banca Com. Ital. (1972)	(c)	515.65	512.91	514.25	619.38 (3/6)	486.26 (29/1)
JAPAN						
Nikkei (16/5/49)	25044.24	25222.28	24981.18	25140.61	27146.91 (18/3)	21456.76 (19/8)
Tokyo SE (Topix) (4/1/68)	1881.76	1887.45	1877.81	1886.07	2028.85 (18/3)	1625.00 (17/1)
2nd Section (4/1/68)	2845.45	2856.16	2852.88	2853.27	3423.45 (20/5)	2473.52 (24/1)
MALAYSIA						
KLSE Composite (4/4/86)	537.03	531.40	530.30	534.69	635.02 (29/5)	470.41 (16/1)
NETHERLANDS						
CBS Ttl Rtn.Gen (End 1983)	277.3	278.0	279.5	279.9	284.8 (5/6)	221.4 (16/1)
CBS All Shr (End 1983)	195.0	195.5	196.6	196.8	203.1 (5/6)	162.3 (16/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	711.53	714.95	715.79	721.12	753.53 (26/8)	610.45 (21/1)
PHILIPPINES						
Manila Comp (2/1/85)	(c)	1025.30	1021.38	1089.56	1183.48 (29/5)	582.64 (10/1)
SINGAPORE						
SES All-Singapore (2/4/75)	390.24	387.51	386.10	387.11	422.43 (26/4)	315.07 (16/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1165.04	1175.0	1203.0	1176.0	1469.0 (5/7)	971.0 (25/2)
JSE Industrial (28/9/78)	4254.04	4263.0	4269.0	4195.0	4269.0 (30/10)	2829.0 (16/1)
SOUTH KOREA**						
Korea Comp Ex (4/1/80)	689.32	695.94	700.38	694.45	763.10 (6/8)	590.57 (22/6)
SPAIN						
Madrid SE (30/12/85)	(c)	263.77	264.64	264.77	289.22 (18/3)	213.70 (14/1)
SWEDEN						
Affärsvärlden Gen. (1/2/37)	1017.10	1015.70	1014.3	1005.4	1149.8 (11/7)	888.4 (8/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	750.1	753.8	757.8	760.6	769.2 (29/8)	590.4 (14/1)
SBC General (1/4/87)	606.8	609.4	611.6	613.9	638.0 (31/5)	487.1 (14/1)
TAIWAN**						
Weighted Price (30/6/66)	4332.58	(c)	4389.86	4364.45	6305.22 (9/5)	3316.26 (15/1)
THAILAND						
Bangkok SET (30/4/75)	641.81	638.84	638.21	627.02	908.13 (19/4)	582.48 (16/1)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	524.1*	523.8	522.7	519.5	529.2 (17/4)	439.1 (16/1)

**Saturday October 26: Taiwan Weighted Price: (c) Korea Comp Ex 701.81.
a Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Friday, November 1, 1991

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Tokyu	8.4m	1,130	+80	Toho Bank	3.5m	755	+21
Olympus Optical	6.0m	1,530	-20	Kawasaki Heavy	3.4m	570	-12
Honshu Paper	4.3m	887	+37	Japan Stge Batt	3.2m	1,170	0
Meiji Milk	3.7m	1,130	-20	Japan Airlines	3.0m	1,100	-60
Meiji Seika	3.6m	1,120	+20	Sumitomo Bank	3.0m	2,590	+40

Price data supplied by Telekurs.

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) Unavailable. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often well above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (◆) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

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INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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ISLE OF MAN (SIB RECOGNISED)

JERSEY (REGULATED)(**)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

LUXEMBOURG (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

CURRENCIES, MONEY AND CAPITAL MARKETS

MONEY MARKETS

Dollar weakens on rate speculation

THE FEDERAL reserve's decision to lower short-term money rates last week pushed the dollar down to the bottom of the trading range it has been stuck in for the last six months.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

Although the financial markets had been expecting the Fed to respond to the growing signs of economic weakness in the final quarter of this year, its move on rates still caused the dollar to fall to its lowest level for a month.

Some analysts believe this is merely a technical response and once the market takes on board the prospect of stronger growth in 1992 the dollar will soon rebound. Recent economic data has been mixed, which is consistent with the first signs of recovery. The Fed's easing will smooth the way into an upturn in time for the Presidential election next year, say some analysts.

However, the case for a stronger dollar contains several possible flaws. Interest rates have been lowered but consumers are unwilling to increase their borrowings: the demand for credit not the price is widely believed to be the problem. Further rate cuts are unlikely to tempt US consumers to become more indebted.

Unlike the early 1980s the US government is boxed in by its own high deficit and is unable to give the economy a boost. Corporate America is also in no position to immediately lead the US out of recession by increased borrowing.

But even if the US makes a stronger recovery next year, a dollar rebound is not guaranteed. Mr Mark Brett of Barclays de Zoete Wedd said: "historically there is a miserable correlation between the two."

£ IN NEW YORK

Nov.1	Close	Previous Close
£ Spot	1.7670-1.7680	1.7390-1.7430
1 month	0.80-0.78pm	0.78-0.76pm
3 months	2.32-2.29pm	2.24-2.21pm
12 months	8.15-8.05pm	7.85-7.75pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Nov.1	Previous
8.30 am	90.7	90.8
9.00 am	90.7	90.9
[illegible]	[illegible]	[illegible]

CURRENCY MOVEMENTS

Nov 1	Bank of England Index	Morgan Guaranty Changes %
Sterling	90.8	−20.6
U.S Dollar	63.9	−15.1
Canadian Dollar	107.1	+4.4
Austrian Schilling	109.4	+11.7
Belgian Franc	111.1	−2.1
Danish Krone	108.1	+2.6
D-Mark	117.6	+24.3
Swiss Franc	109.0	+17.8
Dutch Guilder	113.8	+15.7
French Franc	102.1	−13.7
Lira	98.7	−19.8
Yen	141.8	+75.4

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1985=100). *Rates are for Oct 31

CURRENCY RATES

[illegible]

OTHER CURRENCIES

[illegible]

POUND SPOT - FORWARD AGAINST THE POUND

Nov 1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7375 - 1.7510	1.7490 - 1.7500	0.78-0.77cpm	5.32	2.29-2.26pm	5.20
Canada	1.9495 - 1.9620	1.9600 - 1.9610	0.42-0.37cpm	2.42	1.31-1.21pm	2.57
Netherlands	3.2675 - 3.2800	3.2675 - 3.2775	¼-⅛cpm	0.92	¼-⅛pm	0.76
Belgium	59.70 - 60.30	60.20 - 60.30	8-3cpm	1.10	17-9pm	0.86
Denmark	11.2550 - 11.2850	11.2650 - 11.2750	1½-¾orepm	1.20	3½-2½pm	1.04
Ireland	1.0850 - 1.0935	1.0925 - 1.0935	0.03-0.07cdis	−0.55	0.07-0.17dis	−0.44
Germany	2.9025 - 2.9100	2.9025 - 2.9075	⅜-¼pfpm	1.29	⅝-½pm	0.77
Portugal	248.75 - 250.60	249.60 - 250.60	27-64cdis	−2.18	151-215dis	−2.93
Spain	182.50 - 183.55	182.55 - 182.85	⅛-⅛cdis	−0.02	⅛-1¼dis	−0.02
Italy	2173.25 - 2179.50	2176.25 - 2177.25	par-2liredis	−0.55	3-5dis	−0.74
Norway	11.3550 - 11.4125	11.4025 - 11.4125	½-¼orepm	0.39	½-⅝dis	−0.20
France	9.9150 - 9.9425	9.9225 - 9.9325	1¼-1cpm	1.36	2¾-2½pm	1.08
Sweden	10.5600 - 10.6075	10.5925 - 10.6025	⅛-⅝oredis	−0.35	¾-1¼dis	−0.45
Japan	227.00 - 228.25	227.25 - 228.25	⅞-¾ypm	4.29	2½-2¼pm	4.18
Austria	20.42 - 20.48	20.44 - 20.47	2¼-1¼gropm	0.99	5⅝-1¼pm	0.73
Switzerland	2.5500 - 2.5610	2.5500 - 2.5600	⅝-½cpm	2.64	1½-1¼pm	2.05
Ecu	1.4165 - 1.4225	1.4200 - 1.4210	0.14-0.07cpm	0.89	0.27-0.16pm	0.61

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.30-4.25cpm. 12 Month 8.00-7.90pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Nov 1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7375 - 1.7510	1.7490 - 1.7500	0.78-0.77cpm	5.32	2.29-2.26pm	5.20
Ireland†	1.6075 - 1.6095	1.6075 - 1.6085	0.65-0.60cpm	4.66	1.95-1.85pm	4.73
Canada	1.1195 - 1.1225	1.1195 - 1.1205	0.25-0.28cdis	−2.84	0.69-0.74dis	−2.55
Netherlands	1.8685 - 1.8835	1.8705 - 1.8715	0.66-0.69cdis	−4.33	2.03-2.07dis	−4.38
Belgium	34.35 - 34.50	34.40 - 34.50	11.00-13.00cdis	−4.18	38.00-40.00dis	−4.35
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	142.75 - 143.65	142.80 - 142.90	92-99cdis	−8.02	285-300dis	−8.19
Spain	104.40 - 105.25	104.45 - 104.55	62-67cdis	−7.41	186-196dis	−7.31
Italy	1242.00 - 1251.75	1244.00 - 1244.50	5.70-6.20liredis	−5.74	18.00-19.00dis	−5.95
Norway	6.4950 - 6.5500	6.5175 - 6.5225	2.67-2.97oredis	−5.19	8.30-8.60dis	−5.12
France	5.6675 - 5.7125	5.6725 - 5.6775	1.90-1.95cdis	−4.07	5.82-5.92dis	−4.14
Sweden	6.0450 - 6.0950	6.0550 - 6.0600	2.67-2.92oredis	−5.54	8.30-8.75dis	−5.63
Japan	129.90 - 130.80	130.20 - 130.30	0.12-0.13ydis	−1.15	0.31-0.32dis	−0.97
Austria	11.8100 - 11.8325	11.8250 - 11.8300	4.05-4.45grodis	−4.31	12.20-13.50dis	−4.35
Switzerland	1.4575 - 1.4695	1.4595 - 1.4605	0.35-0.36cdis	−2.92	1.13-1.16dis	−3.14
Ecu	1.2240 - 1.2335	1.2325 - 1.2335	0.48-0.43cpm	4.43	1.45-1.39pm	4.61

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EXCHANGE CROSS RATES

Nov.1	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Ecu
£	1	1.749	2.905	227.7	9.927	2.555	3.272	2177	1.960	60.25	1.420
$	0.572	1	1.661	130.2	5.676	1.461	1.871	1245	1.121	34.45	0.812
DM	0.344	0.602	1	78.38	3.417	0.880	1.126	749.4	0.675	20.74	0.489
YEN	4.392	7.681	12.76	1000.	43.60	11.22	14.37	9561	8.608	264.6	6.236
F Fr.	1.007	1.762	2.926	229.4	10.	2.574	3.296	2193	1.974	60.69	1.430
S Fr.	0.391	0.685	1.137	89.12	3.885	1	1.281	852.1	0.767	23.58	0.556
N Fl.	0.306	0.535	0.888	69.59	3.034	0.781	1	665.3	0.599	18.41	0.434
Lira	0.459	0.803	1.334	104.6	4.560	1.174	1.503	1000.	0.900	27.68	0.652
C $	0.510	0.892	1.482	116.2	5.065	1.304	1.669	1111	1	30.74	0.724
B Fr.	1.660	2.903	4.822	377.9	16.48	4.241	5.431	3613	3.253	100.	2.357
Ecu	0.704	1.232	2.046	160.4	6.991	1.799	2.304	1533	1.380	42.43	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

EURO-CURRENCY INTEREST RATES

Nov 1	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	10⅝ - 10½	10⅝ - 10½	10⅝ - 10½	10½ - 10⅜	10⅜ - 10¼	10¼ - 10⅛
US Dollar	5⅛ - 4⅞	5¼ - 5	5¼ - 5	5¼ - 5⅛	5¼ - 5⅛	5⅜ - 5¼
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

NEW YORK — Treasury Bills and Bonds: [illegible] ... 10-year 7.47; 30-year 7.92. Fed.funds 5; Fed.funds at intervention -; One year 5.01; Two year 5.65.

Nov.1	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.90-9.00	9.00-9.15	9.25-9.40	9.25-9.40	9.25-9.40	9.25
Paris	8⅞-9⅛	8⅞-9	8⅞-9⅛	9⅛-9¼	9⅛-9¼	9.25
Zurich	7⅝-7⅞	7⅞-8⅛	-	8⅛-8¼	-	-
Amsterdam	9.06-9.18	9.20-9.25	-	9.30-9.43	-	-
Tokyo	6⅝-6¾	6⅛-6⅜	-	-	-	-
Milan	10½-10¾	10⅞-11⅛	-	11⅛-11⅜	-	-
Brussels	9⅛-9⅜	9⅛-9⅜	-	9¼-9½	-	-
Dublin	9⅞-10⅛	10-10⅛	10⅛-10⅜	10⅛-10⅜	10⅛-10⅜	-

LONDON MONEY RATES

Nov 1	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	11	10⅝	10⅝	10½	10⅜	10⅜
Interbank Bid	10	10⅜	10 7/16	10⅜	10¼	10¼
Sterling CDs	—	—	10 9/16	10 7/16	10⅜	10 5/16
Local Authority Deps.	10½	10½	10½	10 7/16	10¼	10¼
Local Authority Bonds	—	—	—	—	—	—
Discount Mkt Deps	11	10⅛	—	—	—	—
Company Deposits	—	—	10⅝	10 9/16	10⅜	10⅜
Finance House Deposits	—	—	10⅝	10 9/16	10 7/16	10⅜
Treasury Bills (Buy)	—	—	10¼	9 31/32	9⅝	—
Bank Bills (Buy)	—	—	10¼	10 1/32	9 27/32	—
Fine Trade Bills (Buy)	—	—	—	—	—	—
Dollar CDs	—	—	5.03	5.12	5.09	5.19
SDR Linked Dep. Offer	—	—	7	7	7	7 1/16
SDR Linked Dep. Bid	—	—	6¾	6¾	6¾	6 13/16
ECU Linked Dep. Offer	—	—	9 11/16	9 11/16	9 11/16	9 11/16
ECU Linked Dep. Bid	—	—	9 9/16	9 9/16	9 9/16	9 9/16

Treasury Bills (sell): one-month 10⅛ per cent; three months 9 15/16 per cent; six months 9½ per cent; Bank Bills (sell): one-month 10 1/32 per cent; three months 10 per cent; Treasury Bills; Average tender rate of discount 9.9402 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day October 31, 1991. Agreed rates for period Nov.26, 1991 to December 24, 1991, Scheme I: 11.68 p.c., Schemes II & III: 11.68 p.c. Reference rate for period October 1, 1991 to October 31, 1991, Scheme IV&V: 10.447 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 from September 1, 1991: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7 per cent; one-three months 9½ per cent; three-six months 9 per cent; six-nine months 9 per cent; nine-twelve months 9 per cent; Under £100,000 7 per cent from Sept 5,1991, Deposits withdrawn for cash 5 per cent.

CHICAGO

[illegible]

PHILADELPHIA SE £/$ OPTIONS

Strike Price	Calls Nov	Calls Dec	Calls Jan	Calls Mar	Puts Nov	Puts Dec	Puts Jan	Puts Mar
1.625	13.85	13.75	13.75	13.75	-	0.09	0.38	1.33
1.650	11.35	11.25	11.25	11.31	-	0.19	0.64	1.85
1.675	8.85	11.25	8.87	9.17	0.01	0.46	1.10	2.53
1.700	6.35	6.60	6.89	7.36	0.11	0.92	1.75	3.39
1.725	4.08	4.67	5.11	5.81	0.47	1.63	2.59	4.49
1.750	2.28	3.09	3.65	4.49	1.19	2.60	3.74	5.81
1.775	1.07	2.00	2.54	3.42	2.53	4.03	5.20	7.33

Previous day's open int. Calls 348,117 Puts 336,116 (All currencies)
Previous day's volume: Calls 27,769 Puts 9,735 (All currencies)

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY NOVEMBER 1 1991 US Dollar Index	% chg ($) since 31/12/90	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/90	Gross Div. Yield	THURSDAY OCTOBER 31 1991 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1991 High	1991 Low	Year ago (approx)
Australia (69)	158.87	+34.6	134.63	130.80	137.19	135.25	+32.9	4.51	158.06	134.49	130.44	137.07	135.20	158.87	112.74	118.98
Austria (20)	153.86	−21.8	130.39	126.68	132.87	134.38	−12.2	2.12	154.48	131.44	127.49	133.97	134.38	222.37	153.86	199.37
Belgium (47)	130.65	−1.2	110.71	107.56	112.82	110.99	+10.0	5.34	130.65	111.16	107.60	113.29	110.99	151.20	118.04	139.17
Canada (115)	142.08	+9.3	120.41	116.98	122.69	115.23	+5.5	3.24	141.96	120.79	117.15	123.10	115.44	142.27	126.49	123.75
Denmark (37)	258.16	+11.0	218.79	212.57	222.95	226.23	+23.8	1.57	256.47	218.21	211.65	222.40	226.29	270.56	217.74	255.73
Finland (15)	86.22	−16.4	73.07	70.99	74.46	73.18	−6.7	3.33	86.18	73.32	71.12	74.73	73.82	125.15	83.69	105.50
France (109)	143.28	+8.8	121.42	117.96	123.72	127.55	+21.3	3.48	142.59	121.32	117.66	123.64	127.55	152.26	119.11	140.08
Germany (65)	107.98	−3.5	91.51	88.92	93.25	93.25	+7.2	2.43	108.10	91.97	89.22	93.74	93.74	125.35	94.15	114.13
Hong Kong (55)	166.32	+36.5	140.95	136.94	143.63	165.82	+36.0	4.54	166.50	141.66	137.40	144.39	166.05	169.98	119.62	120.82
Ireland (18)	161.00	+8.4	136.44	132.56	139.03	141.08	+19.9	3.55	160.36	136.44	132.34	139.07	141.09	162.46	132.88	160.94
Italy (77)	69.56	−11.2	58.95	57.27	60.07	64.64	−2.0	3.59	69.26	58.93	57.15	60.06	64.64	88.23	64.76	84.60
Japan (474)	142.65	+14.3	120.89	117.45	123.20	117.45	+9.8	0.72	142.71	121.42	117.77	123.77	117.77	146.97	118.23	132.03
Malaysia (68)	204.60	−3.6	173.39	168.45	176.68	216.54	−1.9	2.85	202.12	171.97	166.79	175.27	214.07	247.78	189.18	198.04
Mexico (16)	1332.32	+128.0	1129.06	1096.94	1150.53	4371.54	+131.7	1.21	1323.99	1126.51	1092.60	1148.16	4344.21	1336.04	534.45	551.77
Netherland (31)	142.02	+6.1	120.35	116.93	122.64	121.28	+17.6	4.45	141.77	120.62	116.99	122.94	121.61	145.73	125.70	133.23
New Zealand (14)	49.23	+13.4	41.72	40.54	42.52	46.70	+19.1	6.22	49.11	41.79	40.53	42.59	46.91	54.64	41.18	48.15
Norway (30)	188.25	−7.8	159.53	155.00	162.57	166.60	+2.2	1.56	188.49	160.38	155.55	163.46	167.70	223.24	178.58	230.38
Singapore (38)	199.09	+25.0	168.72	163.92	171.92	154.87	+21.4	2.25	198.20	168.63	163.58	171.87	154.45	208.25	151.63	157.75
South Africa (61)	258.76	+41.5	219.29	213.04	223.45	176.76	+29.8	2.76	260.44	221.60	214.92	225.85	177.62	260.65	173.00	162.52
Spain (53)	154.76	+10.3	131.15	127.42	133.64	122.62	+20.6	4.47	153.59	130.68	126.75	133.19	122.52	171.12	131.51	144.98
Sweden (25)	187.76	+17.8	159.11	154.59	162.14	168.37	+26.8	2.65	186.91	159.03	154.25	162.09	168.79	204.12	146.60	170.08
Switzerland (59)	94.64	+6.4	80.20	77.93	81.74	85.67	+21.9	2.25	94.80	80.66	78.24	82.22	86.10	100.67	82.17	90.45
United Kingdom (240)	179.13	+8.1	151.80	147.47	154.67	151.80	+19.3	4.89	179.38	152.62	148.01	155.54	152.62	187.44	156.27	158.69
USA (526)	159.20	+19.4	134.91	131.08	137.49	159.20	+19.4	3.04	159.65	135.84	131.76	138.46	159.65	161.02	125.95	125.82
Europe (826)	140.67	+4.6	119.21	115.82	121.48	121.02	+15.9	3.97	140.58	119.61	116.01	121.92	121.46	151.52	125.50	135.05
Nordic (107)	185.06	+10.3	156.82	152.37	159.81	157.74	+21.1	2.05	184.19	156.72	152.00	159.73	158.07	200.81	155.55	182.32
Pacific Basin (718)	143.22	+15.4	121.37	117.92	123.68	118.99	+11.2	1.05	143.22	121.86	118.19	124.20	119.27	145.92	117.86	130.63
Euro – Pacific (1544)	142.55	+10.8	120.81	117.36	123.10	120.65	+13.1	2.20	142.52	121.26	117.60	123.58	120.99	147.66	121.29	132.90
North America (641)	158.06	+18.8	133.95	130.15	136.52	156.23	+18.6	3.05	158.48	134.84	130.80	137.46	156.66	159.66	125.91	125.41
Europe Ex. UK (586)	117.89	+2.1	99.90	97.08	101.82	103.37	+13.6	3.26	117.63	100.08	97.09	102.03	103.60	129.80	103.58	120.03
Pacific Ex. Japan (244)	148.70	+28.4	126.02	122.45	128.43	132.23	+27.7	4.22	148.15	126.05	122.28	128.49	132.10	148.70	111.40	116.03
World Ex. US (1736)	144.50	+11.5	122.45	118.96	124.79	122.08	+13.6	2.24	144.47	122.92	119.23	125.29	122.42	148.16	122.32	133.13
World Ex. UK (2022)	145.44	+15.1	123.25	119.75	125.61	131.89	+15.4	2.26	145.56	123.85	120.13	126.24	132.22	145.77	120.06	126.64
World Ex. So. Af. (2201)	147.65	+14.0	125.12	121.58	127.51	133.42	+15.6	2.53	147.77	125.73	121.96	128.16	133.79	148.66	122.92	129.29
World Ex. Japan (1788)	152.84	+14.3	129.52	125.85	132.00	142.62	+18.7	3.42	153.02	130.19	126.28	132.71	143.03	153.17	126.69	129.45
The World Index (2262)	148.38	+14.3	125.74	122.17	128.14	133.80	+15.7	2.53	148.52	126.36	122.56	128.80	134.17	149.01	123.28	129.49

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).

Constituent changes during the week ending 1/11/91: Addition: Dundee Bancorp (Canada). Deletion: Christiania Bank Free (Norway).
Name change: Singer Holdings to Berjaya Singer (Malaysia). Markets closed November 1: Austria, Belgium, France, Italy and Spain.

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

BANK OF ENGLAND TREASURY BILL TENDER

[illegible]

WEEKLY CHANGE IN WORLD INTEREST RATES

LONDON	Nov.1	change		Nov.1	change
[illegible]			[illegible]		
Band 4 Bills	10⅛	Unch'd	Lombard	9.25	Unch'd
3 Mth. Treasury Bill	9 15/16	Unch'd	One mth. Interbank	9.0750	Unch'd
1 Mth. Bank Bills	10 1/32	Unch'd	Three month	9.3250	Unch'd
3 Mth. Bank Bills	10 1/32	−1/32	PARIS		
TOKYO			Intervention Rate	9¼	Unch'd
One month Bills	6 1/16	+1/16	One mth. Interbank	8 15/16	Unch'd
Three month Bills	-	-	Three month	9⅛	Unch'd
BRUSSELS			MILAN		
One month	9 5/16	+1/16	One month	11	−1/16
Three month	9 5/16	+1/16	Three month	11 1/16	−1/16
AMSTERDAM			DUBLIN		
One month	9.225	+0.055	One month	10 1/16	Unch'd
Three month	9.405	+0.135	Three month	10⅛	Unch'd

FINANCIAL TIMES STOCK INDICES

	Nov 1	Oct 31	Oct 30	Oct 29	Oct 28	Oct 25	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs.	86.56	86.92	86.96	86.87	86.50	86.40	87.94	82.17	127.4	49.18
Fixed Interest	96.54	96.94	96.74	96.64	96.40	96.33	97.17	90.59	105.4	50.53
Ordinary	1952.7	1962.3	1978.7	1954.0	1961.3	1929.3	2108.3	1606.3	2108.3	49.4
Gold Mines	161.2	164.4	165.5	169.8	169.6	172.6	222.8	127.0	734.7	43.5
FT Act All-Share	1232.34	1238.63	1242.37	1232.39	1233.69	1216.26	1284.07	987.46	1284.07	61.92
FT-SE 100	2549.5	2566.0	2577.1	2553.3	2558.5	2514.7	2679.6	2054.8	2679.6	986.9
FT-SE Eurotrack 100	1095.11†	1096.45	1101.22	1099.96	1097.04	1091.25	1165.54	900.45	1165.54	900.45
FT-SE Eurotrack 200	1152.35†	1158.30	1161.91	1156.40	1153.60	1143.21	1198.60	938.62	1198.60	938.62

† Partial.

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

Western Trust High Interest Cheque Acc
The Moneycentre, Plymouth PL1 1SE 0752 224141

£15,000+	10.00	7.50	10.38	-
£5,000-£14,999	9.75	7.31	10.11	-
£1,000-£4,999	9.50	7.13	9.84	-

Wimbledon & South West Finance PLC
114 Newgate St, London EC1 7AE 071-606 9485

High Int Cheque Acc	10.60	7.95	11.03	-

Clydesdale Bank PLC
30 St Vincent Place Glasgow G1 2HL 041 248 7070

£2,000-£24,999	8.25	6.19	8.51	-
£25,000-£99,999	9.00	6.75	9.31	-
£100,000+	9.50	7.13	9.84	-

Co-operative Bank
PO Box 300 Skelmersdale, Lancs 0800 616162

TESSA	11.50	-	-	-
Investment 90 – 90 Day Notice Savings				
£50,000+	10.75	8.10	11.0	-
£25,000-£49,999	10.50	7.90	10.8	-
£10,000-£24,999	9.50	7.10	9.7	-

NOTES– Gross: Contractual rate of interest payable not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. Compounded Annual Rate. Int Cr: Frequency at which interest is credited to the account.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

BRITISH FUNDS—Contd

[illegible]

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

Continued on next page

LONDON SHARE SERVICE

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AMERICANS

Market Cap. £m	Stock	Price £	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
14,469.1	Abbott Laboratories$...	33⅞xd	2.1	1.7	9.10	FeMyAuNv	1503
119.5	♦Allegheny & W 1c..	230p	-1.3	7.7	–	–	–
978.3	Amdahl 5c...	883pxd	6.1	0.7	31.1	NvMrJeAu	–
1,456.5	Amer. Cyanamid $5 ..	36⅛	-0.2	2.4	27.2	MrJeSeDe	–
5,179.8	Amer. Express 60c.	18½	-9.1	5.5	1.10	FeMyAuNv	1544
29,008.6	American T & T $1.	22¼xd	1.1	3.5	27.3	FeMyAuNv	1597
15,827.7	Ameritech $1...	35¼	1.4	5.6	28.3	FeMyAuNv	–
5,283.1	BankAmerica $1⅝	24⅛xd	5.0	3.0	16.8	FeMySeDe	1744
3,058.8	Bankers N.Y. $1	37⅞xd	1.2	7.7	27.9	ApJyOcJa	1745
10,400.3	Bell Atlantic $1...	27xd	3.3	5.5	4.7	FeMyAuNv	–
13,642.8	BellSouth Corp......	28¼	3.2	5.8	5.4	FeMyAuNv	–
676.0	♦Bethlehem Steel $8 .	8⅞xd	1.4	2.7	6.2	MrJeSeDe	1821
453.3	Bowater Inc.	1264p	-3.2	5.6	6.6	OcJaApJy	1884
3,547.9	CPC Intnl. 25c...	46⅛xd	0.7	2.5	25.9	JaApJyOc	2263
152.9	California Engy...	840p	-3.4	–	–	–	–
5,576.9	Campbell Soup 15c...	44⅞xd	1.1	1.5	4.1	OcJaApJy	2050
1,464.0	Chase Manhattan $12½	10⅞xd	-1.4	6.6	30.10	FeMyAuNv	2109
2,097.4	Chrysler $6¼	7⅞xd	15.0	4.9	11.9	ApJyOcDe	2135
2,275.7	Citicorp $1 ..	6⅝xd	10.4	–	23.10	–	2141
3,198.2	Colgate-Palmolive $1	23½xd	0.3	2.6	22.10	FeMyAuNv	2184
616.4	Cont'l Bank Corp $4..	610p	-0.5	5.8	31.5	DeMrJeSe	–
662.7	Dana Corp. $1...	16¼xd	-2.3	5.9	27.8	MrJeSeDe	2306
279.5	Data General....	1013p	-19.7	–	–	–	–
977.7	Dial Crop. $1.5......	24¼xd	3.4	3.3	28.5	JaApJyOc	2778
5,086.6	Dun & Bradstreet $1.	28⅛	2.7	4.5	13.2	MrJeSeDe	–
1,176.6	Eaton Corpn. 50c...	34⅝	-7.0	–	2.2	–	2410
403.3	Echlin Inc	7⅛xd	2.7	5.8	1.7	JaApJyOc	3046
3,223.5	FPL Group 1c ..	19⅝xd	1.3	7.1	27.8	MrJeSeDe	–
2,109.7	Fluor Corp 62½pc..	26⅛xd	2.0	0.7	19.9	JaApJyOc	2609
7,396.9	Ford Motor $1...	15⅝xd	0.8	3.8	29.10	MrJeSeDe	2616

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES – Contd

ELECTRICALS

ELECTRICITY

ENGINEERING

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

For Allied Radio see LEISURE

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

LEISURE

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline, call 0836 43 + four digit code. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Share Code Booklet call 071-925-2128.

LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS—Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie as a guide only.

FINANCE, LAND, ETC

[illegible]

FINANCE, LAND, ETC—Contd

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

MINES—Contd

Australians

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares. γ Gamma refers to other traded instruments.

Unless otherwise indicated, prices are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed, dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ¶ Price at time of suspension
- ¶ Not comparable
- † Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. c Cents. e Redemption yield. f Flat yield. k Kenya. C Canadian. E Minimum tender price.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1... β		635	-0.5
Finlay Pkg. 5p	α	45	60.7
Holt (Jos) 25p.	β	2888	1.2
Helton Hldgs	γ	34	-5.6

IRISH

Cap 8½% Ln. 2010	£95⅛	..
9pc Cap Ln. 1996	£98½	..
Fin. 13% 97/02	£114	
Arnotts	190	..
IRG	123¼xd	-0.4
United Drug	170	3

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	50
Amstrad	6
Astec (BSR)	5
BAT	53
BOC Grp	48
BTR	33
Barclays	34
Blue Circle	20
Boots	33
Bowaters	55
Brit Aerospace	35
British Steel	10
Brit. Telecom	33
Cadburys	35
Charter Cons	42
Comm Union	40
Courtaulds	38
Eurotunnel	50
FKI	5
FNFC	10
Forte	21
Gen Accident	43
GEC	16
Glaxo	110
Grand Met.	67
Guardian	14
GKN	28
Hanson	17
Hawker Sidd	55
ICI	95
Ladbroke	21
Legal & Gen	33
Lex Service	16
Lloyds Bank	30
Lucas Inds	12
Marks & Spencer	21
Midland Bk	20
Nat West Bk	26
P & O Dfd	41
Racal Elect	6
RHM	23
Rank Org Ord	55
Ratners	12
Reed Intnl	35
Sears	8½
SmKl. Beecham A	53
TI	39
TSB	11
Tesco	23
Thorn EMI	65
T&N	14
Unilever	60
Vickers	16
Wellcome	60

Property

Brit Land	27
Control Secs	2
Land Securities	41
MEPC	42
Mountleigh	4

Oils

Aviva Petlm	3
Brit Petroleum	26
Burmah Castrol	47
Conroy Petlm	8
Gaelic Res	1
Premier	4
Shell	40
Tuskar Res	1
Ultramar	20

Mines

Lonrho	20
RTZ	46

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,150 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service:

Addition:

Land Securities 10pc 1st Mtg. Deb. 2027 (Section: Property)

Deletions:

Benlox (Industrials)
Cramphorn (Stores)
Erostin Group (Property)
Klearfold Inc. (Paper)
Omnitech (Industrials)
SD-Scicon (Electricals)
Sutherland Hldgs. (Foods)
Swanyard (Leisure)

4:00 pm prices November 1

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16⅞	9¼	AAR Corp x	0.48	0.03	19	398	14¼	14⅛	14¼	+⅛
21⅞	14½	A L Labs A	0.16	0.01	23	754	u21⅛	20⅞	21	+⅛
55¾	40⅞	AMP Inc x	1.44	0.03	82	2390	53¾	52½	53⅛	+⅝
68⅝	44¼	AMR			12	1373	64⅛	63⅛	63½	
2⅝	1	ARX			1	261	1⅜	1⅜	1⅜	−⅛
98	41½	ASA	3.50	0.07	13	300	48	47⅞	47⅝	
69	39¼	Abbott Lab	1.00	0.02	24	6362	u60¼	59	60½	+1⅝
14⅝	9⅞	Abitibi Pr	0.50	0.04	26	18	14	14	14	
11⅝	10⅛	ACM Gvt In	1.26	0.12		544	10⅞	10¾	10⅞	+⅛
9¼	8¼	ACM GvOpp	1.01	0.11		81	9½	9⅛	9½	+⅛
9½	8¼	ACM Gvt Sp x	1.01	0.11		1051	9⅛	9	9	
11	9⅞	ACM Gvt Se x	1.26	0.12		1184	10⅝	10½	10½	+⅛
9	7⅜	ACM Man	1.01	0.11		841	u9	8¾	8⅞	+⅛
12⅞	11½	ACM Manago	1.35	0.10		147	12¾	12⅝	12¾	
7½	4¼	Acme Clev x	0.40	0.06	16	88	6½	6¼	6¼	−⅛
6	3⅜	Acme Elect			43	7	4¾	4¼	4¾	
40	22⅝	Acuson			88	730	37⅞	36¼	36¾	−⅞
19⅞	14⅛	Adams Expr	0.73	0.04	1	81	u19⅞	19⅛	19⅞	+⅞
20⅛	17½	Adobe12Pf x	2.40	0.12		z100	19⅞	19⅛	19¼	
9¼	6⅝	Adobe Res			48	60	7¼	7½	7¼	
38⅜	18	Ad Micro				122	36¼	35¼	35⅝	−⅞
14¼	4⅝	Ad Micro P	3.00	0.24	94	1393	12⅞	12⅛	12¼	−½
5⅛	2¼	Advest Grp	0.16	0.04	6	129	3⅞	3¾	3¾	−⅛
49⅛	31⅞	Aetna Lf x	2.76	0.07	36	2536	39⅜	38⅞	39⅛	−½
10⅜	6⅝	Affil A x	0.24	0.03	55	1165	8⅛	8⅛	8¼	+⅛
20⅞	12	Ahmanson x	0.88	0.05	10	2905	16⅜	16⅛	16¼	+⅛
17	2⅞	Aileen Inc			18	111	16⅞	16¼	16¼	−⅜
74⅛	51⅜	Air Pr Chm	1.56	0.02	16	1448	69½	68½	69	+⅜
30	18⅝	Airbne Frt	0.30	0.01	84	206	25¼	25½	25¾	+⅛
21¼	12½	Airgas Inc			112	74	20⅝	20⅛	20¼	+⅛
16¼	10	Airlease	1.68	0.13	6	26	12¼	12½	12½	
98	88¼	AlaPw8.16 x	8.16	0.08		4	u98	98	98	

Continued on next page

مكتبة مشيرات الوصل

NYSE COMPOSITE PRICES

Continued from previous page

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
21⅞	11⅞	Safeway			13	1074	17¾	17½	17½	-⅛
4⅞	2⅞	SafewayW95				663	4	3⅝	3¾	-⅛
35⅞	26⅞	StJoePaper	0.20	0.01	38	80	35⅛	34⅛	34⅞	-½
34¼	28⅝	StJosL&P x	1.60	0.05	12	8	30⅞	30⅝	30⅞	+¼
4¼	1½	Salant Crp			0	2100	3⅞	3⅞	3⅞	+⅛
89¾	43⅝	Sallie Mae	0.80	0.01	17	2282	60⅛	58	59⅞	-½
13⅞	10⅜	Salomon Br x	0.60	0.04		339	13⅝	13½	13⅝	
37	20¾	SalomonInc	0.64	0.02	4	68054	28⅛	27½	27¾	
45¾	37⅛	SanDgo G&E	2.80	0.07	46	728	42½	42¼	42¼	-¼
4⅝	2¾	SantaFeEDu	0.50	0.16	62	67	3¼	3⅛	3⅛	-⅛
16¾	10⅞	SantaFeERs	0.16	0.01	27	1411	11⅞	11½	11⅝	
35¼	25	SantaFePac x	2.80	0.08	10	71	33¼	32⅝	33¼	+½
11⅞	5¼	SantaFeSth			10	73888	11⅜	11¼	11¼	-⅛
46¾	28⅝	Sara Lee	0.94	0.02	26	2857	44⅞	43⅞	44⅛	+⅛
⅛	⅛	Savin Corp			0	285	⅛	d⅛	⅛	
7⅞	1⅞	Savin 0.80	0.80	0.32		22	2⅝	2½	2½	
41½	33½	Sears Corp x	2.62	0.06	8	320	40⅜	40½	40⅝	
45⅞	38	Seacorp	2.72	0.06	11	1328	44½	44	44⅛	-⅛
61¼	40⅞	ScheringPl x	1.32	0.02	21	4063	u62	60¾	61⅞	+⅞
74	50½	Sch'berger	1.20	0.02	25	4668	69⅛	68¼	68⅝	-⅞
37⅞	11⅞	Schwab(C)	0.16	0.00	42	377	37¾	37¼	37½	-¼
8⅞	3⅞	Schwitzer			13	68	8⅝	8½	8½	-⅛
17⅞	11½	ScientAtln	0.16	0.01	267	352	14½	14¼	14⅝	-⅛
9⅝	6	Scotman	0.10	0.01	11	486	7⅛	6⅞	7⅛	+⅛
46⅝	35⅛	ScottPaper x	0.80	0.02	36	756	37⅞	37¼	37⅞	+⅝
18½	11⅝	ScuddrNAsF	0.58	0.04		68	u16⅛	16¼	16½	+⅛
10⅝	7⅞	ScuddrNEuF	0.25	0.03		106	9⅛	9	9	
28½	19⅛	Sea Cont x	0.70	0.03	11	53	23⅞	23⅝	23⅝	-¼
15½	13½	SeaC1 4825	1.46	0.10		4	15¼	15	15	
18¼	14¾	SeaC2 1	2.10	0.14		5	16⅛	15⅝	15⅛	
117½	81⅝	Seagram Co	2.00	0.02	15	1139	115⅞	113⅝	114½	+1
31½	21	Seagull En			118	225	31	28⅞	31	+1⅞
41⅛	21⅞	Sealed Air			25	212	u42⅛	41⅛	41½	+⅛
16¼	11½	SPX Corp x	0.40	0.03	9	151	12⅞	12⅝	12⅝	
43½	24½	Sears Roeb	2.00	0.05	85	2913	37⅝	36¼	36¾	-⅞
36½	17	Sec Pac	1.52	0.05	48	3650	33	32	32¼	-⅞
[illegible]										

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
64	35¼	Xerox x	3.00	0.05	60	3543	u64⅞	63⅛	63⅞	-⅛
51½	43¼	Xerox4.125 x				10	u51⅞	51⅛	51¼	+⅜
25¼	14⅞	Xtra 1.94				155	24⅝	24⅜	24⅝	+⅛
29	14¼	Xtra Corp	0.72	0.02	98	373	u29⅛	28⅝	29½	+⅜
28⅝	21⅞	Yankee Egy	1.60	0.06	12	23	28¼	28	28¼	+⅛
1½	⅝	Zapata			2	274	⅝	d⅝	⅝	+⅛
9⅜	5¼	ZenithElec			2	295	6⅞	6⅝	6⅞	-⅛
18½	12	Zenith Nat x	1.00	0.06	24	118	16⅝	16½	16⅝	+⅛
6⅞	4½	Zenix Inc x	0.84	0.14		10	6¼	6⅛	6⅛	
15⅛	10⅞	Zero Corp x	0.40	0.03	15	132	11⅞	11¾	11⅝	
41⅞	29½	Zurn Ind x	0.88	0.02	14	122	34¾	34⅛	34⅛	+⅛
13½	10¼	Zweig Fund	1.16	0.09		236	12⅞	12⅝	12⅞	+⅛
10½	8½	Zweig Totl	0.95	0.09		622	10⅜	10¼	10¼	-⅛

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices November 1

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							
Oil Corp	0.14	13	761	9⅜	9¼	9¼	-⅛
Pall Corp	0.44	26	1274	37½	36⅞	36¾	-⅛
Pegasus G		102	192	11½	11¼	11¼	-⅜
Perini		7	95	11⅝	11¼	11½	+⅛
Pet H&P	0.31	13	17	u10⅞	10⅜	10⅞	+⅜
Phil LD	0.17	10	264	25⅝	25¼	25⅝	+⅜
Pitney A	1.10	12	222	u29½	29	29½	+⅛
Ply Gem x	0.12	22	30	7¾	7¾	7¾	-⅛
[illegible]							

NASDAQ NATIONAL MARKET

4:00 pm prices November 1

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

MONDAY INTERVIEW

Revolution on shaky ground

Nawaz Sharif, prime minister of Pakistan, talks to **David Housego**

With his fresh, chubby face, his soft-spoken and often stumbling phrases, and his apparent lack of self-confidence, Mr Nawaz Sharif, Pakistan's prime minister, seems an unlikely political figure to be leading an economic revolution.

He has not the charisma or the intellectual brilliance of the western-educated Ms Benazir Bhutto or of her father Zulfikar Ali Bhutto – both of whom held the prime minister's job before him and whose Pakistan People's Party still remains his bitter foe. Ms Bhutto was ousted as prime minister in an army backed constitutional coup last year while her father was hanged after being thrown out by the army in 1977.

Unlike the Bhuttos, he does not come from the landed feudal elite that has traditionally provided Pakistan's political leadership. He is from a middle class Lahore industrial family which built up its Ittefaq group of steel, sugar and textiles companies thanks in part to the patronage of Pakistan's former military rulers. In short, he is the first entrepreneur to have occupied the post of Pakistani prime minister.

Now Mr Sharif, who marks his first anniversary as prime minister on Wednesday, is putting his business experience into practice in government. He has embarked on a radical programme of economic liberalisation that has more chance of significantly raising the country's economic growth rate than anything attempted by the Bhutto family.

Talking over breakfast at the new prime minister's residence in Islamabad, the impression he projects is of an eagerness to be liked. He is ill at ease in handling the details of policy. Distrusting his own experts, he looks to visitors for advice and suggestions. He becomes emotional when the talk turns to politics – for his government is now under increasing pressure from a campaign of mass rallies staged by Ms Bhutto, a campaign which he suggests is aimed at undermining Pakistan's economy and institutions.

Nevertheless, Mr Sharif leaves no doubt that he is in a hurry to get on with the economic reform process and redress the mistakes of the past. He says: "So much wrong has been done in this country that nothing would be solved if we don't move at a pace which is as fast as we are moving – or even faster. Otherwise the wrongs which have been done in the past cannot be corrected. I have a large programme in front of me which cannot be implemented if we don't move at a very, very fast pace."

Measures he has already pushed through include a substantial lifting of foreign exchange controls that allows Pakistanis to open dollar accounts in their own country; the privatisation (now under way) of over 100 state-owned industrial units and six banks – most of which were nationalised by Mr Bhutto in the 1960s; and a major opening-up of the economy to foreign investment with foreign companies allowed in most cases to take a 100 per cent equity holding in Pakistani enterprises.

His government also recently won support from the International Monetary Fund and World Bank for a macroeconomic stabilisation programme intended to bring down the budget deficit to a projected 4.8 per cent of gross domestic product during fiscal 1991-92 from a highly inflationary 8.5 per cent last year.

The liberalisation moves have delighted the country's business community. More radical than the economic reforms announced recently in India, they mark a turning point away from a long tradition of centralised planning, government intervention and bureaucratic control and towards encouraging the private sector to invest.

But isn't there a danger in moving too fast along this road? Mr Sharif says that speed was essential to overcome resistance from the country's cautious civil service, which he blames for many of Pakistan's economic woes.

A more fundamental question concerns the prime minister's ability to take new political initiatives – particularly in foreign policy – in a country where politics remains highly volatile and deeply polarised. Mr Sharif's conservative, Islamic Democratic Alliance (IDA), which has a two-thirds majority in the National Assembly, came to power in elections last year, but Ms Bhutto has always disputed the results, saying that the poll was rigged by him and the army.

For the first eight months, the demoralisation of Ms Bhutto and the PPP meant he had a relatively smooth passage. Now, however, she is back on the offensive – over a similar problem to that President Ghulam Ishaq Khan cited in dismissing her government in August 1990: allegations of corruption. This campaign – together with divisions in Mr Sharif's IDA alliance and the government's inability to control ethnic violence in the southern province of Sindh – have left him weaker than at any time since he came to power.

Ms Bhutto has been drawing large crowds in the Punjab to hear speeches charging Mr Sharif with "looting" the state for the benefit of his own companies and those of his political associates. The charges originated from the recent collapse of a number of co-operative societies in the Punjab which had also made loans to his companies; they also concern alleged abuses of the government's privatisation programme. Ms Bhutto's aim is to force Mr Sharif to step down and to bring about fresh elections.

The prime minister does not conceal his anger at Ms Bhutto's campaign, arguing that the dispute threatens the democratic institutions of a country in which the military has several times taken power by force, and that it could frighten off investment, whether domestic or foreign. "She is trying to destroy the system," he says. "She is trying to warp the whole economic system by saying 'don't deposit money in private banks, withdraw your money from private banks'. She wants an economic crisis in the country. She is trying to shake confidence in these institutions ... I think it is a very dangerous thing. It can destroy the country."

The enmity between the Sharif and Bhutto families goes back almost 20 years to when the late Mr Bhutto nationalised the Sharif steel business as part of his programme of bringing key strategic industries within the public sector. Mr Sharif became a protégé of President Zia ul-Haq, who overthrew Mr Bhutto in 1977 and who had the latter hanged two years later. "Zia treated him [Mr Sharif] like a son," says one observer. Appreciating him as a competent and compliant manager, Zia made him finance minister and then chief minister of the Punjab.

Is there any chance that Mr Sharif and Ms Bhutto will bury their differences to guard against yet another military intervention in Pakistani politics? Mr Sharif does not appear to offer much hope. "I would love to have a patch up," he says. "But if they [the PPP] take to the streets, how can there be a patch up?"

For the moment, his position as prime minister seems secure, and it will remain so as long as he continues to enjoy the support of the army chiefs and the president. There is in any case no obvious, acceptable alternative to Mr Sharif – and neither the president nor the army wants Ms Bhutto to return.

Nevertheless, his political difficulties – and the ethnic violence he faces in Sindh and Baluchistan provinces – leave him little room for further bold policy initiatives, whether in economic or in foreign policy.

One area where he would clearly like to take such an initiative is in ending Pakistan's state of confrontation with India. He agrees with Mr V P Narasimha Rao, the Indian prime minister, that the two countries can no longer afford the drain on their resources of keeping their armed forces close to a war footing.

"It will be very tragic," he says, "if both countries decide to stay in a position of war preparedness. That will not solve any of our economic problems. If we come to some sort of understanding with India a lot of money could be saved on defence and diverted to social and economic spending."

He foresees no immediate breakthrough – least of all on the intractable issue of Kashmir, the northern border state where Indian troops are attempting to put down an insurgency which they claim has Pakistani backing. But he takes heart from his recent first meeting with Mr Narasimha Rao: "A dialogue has started. I think from here a lot of things will start happening, a lot of doubts and suspicions will get removed."

Tony Andrews

'I have a big programme and must move quickly'

PERSONAL FILE

1949 Born in Lahore.
1969 Starts work in his father's Ittefaq industrial group.
1972 Ittefaq's steel interests nationalised.
1981 Minister of finance in the Punjab government.
1985 Becomes chief minister of Punjab.
1990 Named prime minister after election victory of Islamic Democratic Alliance.

Waiting for the Fed's cavalry

MICHAEL PROWSE on America

Alan Greenspan will be "hung, drawn and quartered" if he does not bow to White House pressure for lower interest rates, a Wall Street banker told me last week. The grisly phrase seems out of place in 20th-century Washington but it sums up perfectly the force now being brought to bear on the Federal Reserve chairman. The White House was unimpressed by last week's quarter-point cut in short-term rates. Rattled by polls suggesting that economic weakness could threaten President George Bush's re-election prospects, it wants the Fed to step hard on the monetary accelerator – and quickly.

Mr Greenspan will probably try to oblige. A half-point cut in the discount rate – to 4.5 per cent – is widely expected, possibly soon after tomorrow's meeting of the policy-making open market committee. The irony is that the crude political pressure may be misplaced.

Mr Greenspan signalled deep economic unease in an unusually frank speech to Rhode Island bankers last Monday, several days before Mr Marlin Fitzwater, the president's spokesman, assumed the additional task of commenting on Fed policy. Mr Greenspan would have been unlikely to have used phrases such as "utterly unprecedented credit crunch" if he were not planning to ease policy. But thanks to White House posturing, an early cut in rates will now look politically motivated.

The question is whether an easing of monetary policy is justified economically. An argument for caution would run as follows. Gross national product grew at an annual rate of 2.4 per cent in the third quarter, far from brilliant (growth of 6 per cent is not unusual in the early stages of US recoveries), but surely a sign the economy is on the mend.

Since monetary policy takes effect only with a considerable lag, the successive cuts in rates earlier this year will support activity for many months to come. With a broad measure of wage inflation still running at over 4 per cent, the wisest course is thus to sit tight and let market forces dictate the pace of recovery. Pushing the discount rate below 5 per cent would merely guarantee higher inflation during the next upswing.

Armchair theorists of a monetarist bent will probably nod approvingly. Politics aside, however, the danger lies in ignoring the weight of recent evidence pointing to a sharp loss of economic momentum. Much of the 2.4 per cent growth in the third quarter reflected a decline in the pace of inventory liquidation – a temporary source of strength. Final sales grew at an annual rate of only 0.6 per cent. Growth, in any case, was decelerating through the quarter: industrial production, for example, was stagnant in August and September.

A barrage of more recent data – including employment, leading indicators, industrial orders, home sales, and consumer confidence – all suggest the recovery is stalling. Non-farm employment grew a meagre 25,000 a month in the third quarter, far below the rate of expansion in previous recoveries. Last month, it failed to grow at all, and the key cyclical sectors – manufacturing, construction and retailing – all shed jobs. Nor was this a case of employers making more intensive use of existing workers: aggregate hours worked also fell sharply, indicating that production may soon turn down.

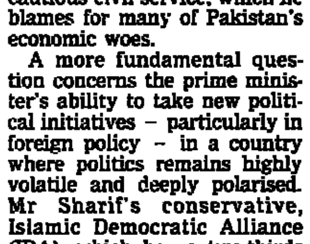
The gloomy employment report was hardly surprising given that weekly claims for unemployment insurance have been drifting higher since August. It was also wholly consistent with other statistics. The Purchasing Managers' Index, a widely-followed gauge of industrial health, began to stall in September; last month it dropped for the first time since January. Given that industrial orders have also fallen for two consecutive months, it looks as if manufacturing industry – once one of the pillars of the recovery – is now floundering.

Other sectors are in no better shape. The composite index of leading economic indicators, usually a fairly reliable guide to trends for the whole economy, fell last month, having registered no increase in September. Sales of new homes fell a surprising 13 per cent to levels close to the trough reached last winter; every region, moreover, experienced setbacks in sales, which seem likely to prompt further retrenchment in the battered construction industry. To add to the misery, a key index of consumer confidence registered its sharpest decline since Iraq invaded Kuwait and is now languishing only a few points above the trough reached during the deep 1981-82 recession.

This hail of bad news is causing a rapid revision of forecasts. Not long ago many economists were confidently forecasting 3.5 per cent growth in the fourth quarter. The consensus is now closer to 1.5 per cent and contraction is seen as a real possibility. With a recent poll indicating that most voters now disapprove of Mr Bush's handling of the economy, it is little wonder that the White House has lost its cool. It may yet do a deal with Congress on a modest "growth package" of fiscal incentives.

But Mr Bush knows he is badly boxed in. Given the size of the deficit, it would be foolish to break last year's budget agreement and increase borrowing significantly. A meaningful fiscal stimulus is thus ruled out. Hence the president's direct appeal for lower interest rates while campaigning in Houston. Expect the cavalry, led by Mr Greenspan, to come galloping over the hill. Whether they can rout the Indians and reinvigorate the economy is another story.

Sex and other people's minds



IAN DAVIDSON on Europe

This is going to be about sex, words and reality. Mostly about words and reality, I'm afraid; so let's start with the sex because it's more, well, sexy.

Once upon a time there was an American sociologist, and he wanted to find out everything about the patterns of sexual behaviour, the way sociologists do. But in fact, he wasn't directly interested in the patterns of sexual behaviour, so much as in what people *thought* about such patterns.

So he conducted a survey, in which he asked people whether they thought it was all right to have sex before marriage, sex after marriage, sex outside marriage, and on and on and on. But to make it different from all the other surveys on sexual behaviour by rival American sociologists, he divided each question into two parts. Part One: do *you* think it is all right to have sex before marriage (or whatever)? Part Two: do you think *other people* think it is all right to have sex before marriage?

The most striking finding of the survey was that the answers to Part One were consistently more liberal than the answers to Part Two: the average Joe Doe thought that the rest of the community held stricter and more puritanical views on the rights and wrongs of different types of sexual behaviour than he did himself. In other words, most people did not really know what was going on in other people's minds.

So much for the sex; and if any reader feels that was a bit of a let-down, don't blame me, blame the sociologist. Now for the words and the reality.

The first reality in question is that Britain is resisting at every turn the integrationist thrust of the treaty on economic and monetary union and political union now being negotiated by the members of the European Community.

Mr John Major, the prime minister, asserts that Britain's place is at "the heart of Europe". But in practice Britain is still the only member state which is resisting everything proposed by the others as a matter of principle and gut instinct. The latest Dutch draft offers Britain a giant let-out clause on monetary union, but virtually everything else on the table is still subject to massive British reservations.

The second reality is that the Twelve (or at least the Eleven) have fixed the Community summit in Maastricht exactly five weeks from today, as the deadline for completing and signing this treaty. The question is, what happens between now and then?

When Mr Douglas Hurd, the UK foreign secretary, drawls in his ineffably languid way, that there are some things that the British government will not sign, he is not merely admitting the defensiveness of Britain's opposition to the entire undertaking. He is also implying, even if he does not use the word, that Britain will in the last resort wield something very like a national veto.

Veto: now that is a word which needs holding up against the light of reality. It has a reassuring aura of omnipotence, as if it were a magic card of absolute power. What makes it especially comforting is the way it manages to suggest that it is not merely the most powerful card, but also the last card. When it has been played, the game is over, and the children go home.

In reality, of course, the European treaty negotiations are neither a game nor a fairy-tale. When midnight strikes, the British government can of course refuse to sign; but that does not mean the game is over. The danger inherent in the word veto is that it encourages the Fallacy of the Last Move.

So far from being the last card, a British veto would open an entirely new phase in the relationship between Britain and its partners. If one wanted to describe such an event with more realistic words, one would have to say that Britain had "caused a breakdown of negotiations", or had "created a crisis" in the Community.

Moreover, even if the British government is prepared for the anger and the isolation, it can have no real confidence that a veto would achieve its most basic objectives. The simple assumption is that without the signature of all 12 governments, there can be no treaty; the simple-minded extension of this assumption is that Britain is such an essential partner that it can stop the others from doing what they want to do. That is an unsafe assumption.

In the first place, some of what should be in the new European treaty could also be carried out either on an intergovernmental basis, or with self-standing agreements which Britain could not block. Britain was not able to prevent the creation of the European Monetary System; 11 years later, it could not help joining. If the 11 want to move towards a common foreign policy with majority voting, Britain can exclude itself; it cannot stop them. A British veto will not persuade the 11 to abandon their objectives; it may persuade them that they must force a way round the British obstacle.

This brings us back to our American sociologist. If the British government is even thinking in terms of a veto, it just shows that it does not have any real apprehension of what is going on in the heads of other people. For it implies that the other member states are not really committed to the qualitative changes in the government of Europe that would result from the prospective treaty, and can be diverted from this objective both easily and permanently.

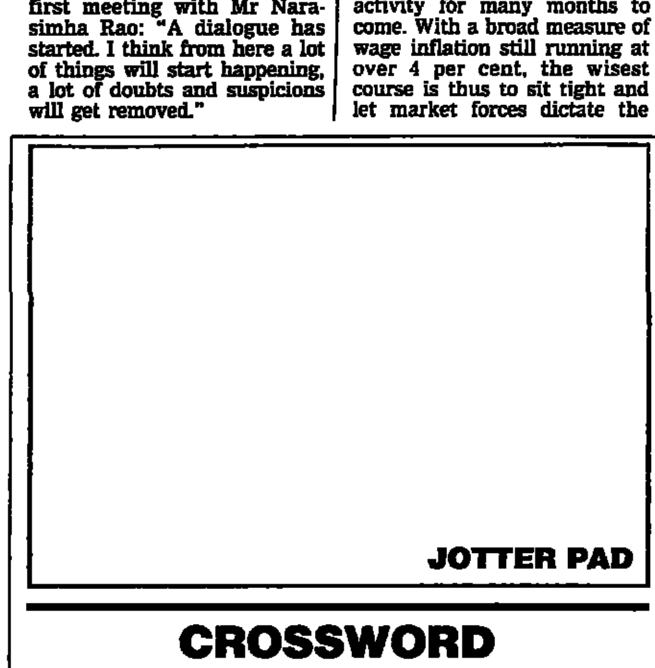
There is no basis for this belief. Everything indicates that the other 11 are serious about the new treaty. British obstruction would be worse than inconvenient, and in the short term it might be fatal. But it would not change their minds, and it could not fail to marginalise Britain from the future development of the Community.

In other words, a British veto is not a magic Excalibur for silencing all enemies, but a word so dangerously deceptive that it cannot safely be used at all.

JOTTER PAD

CROSSWORD

No.7,689 Set by DANTE



ACROSS

1 Work in vile prison (8)
5 Exploit a tearaway? (3,3)
9 Aunt Enid floundering in swamp (8)
10 His leader expresses his opinion (6)
12 Sharp crooked instruments (5)
13 Stones are fashioned for rings (9)
14 Make ball go round like a sphere (6)
16 We object during payout to hold up (7)
19 Geraint turns out to be a thankless person (7)
21 Persia may give approval (6)
23 Fringes not right with garments (9)
25 Colour and leave the dance (5)
26 Go to a restaurant or have a picnic (3,3)
27 Record circle dying out (8)
28 Wild goose yarns? (6)
29 Runners who jump the gun are not forgotten (8)

DOWN

1 Note superficial pollution (6)
2 Conservation member set to dismiss strikers? (6,3)
3 Great Asian long-distance runner (5)
4 Sort of thinking of belonging to the side (7)
6 Asian country with units in another Asian country (9)
7 Ideal group to play an eightsome reel? (5)
8 If given a rise, live somewhere warm (8)
11 A course at Oxford (4)
15 Jet-stream 22 miles NW of Manchester (9)
17 Sees Latin as a sine qua non (9)
18 Wise word for men who have survived their wives (8)
20 Make gross (4)
21 Charge for delivering pages to be edited (7)
22 Took physical exercise when reminded (6)
24 It was in the church's interest (5)
25 The thanks one gets in a letter from Greece (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday November 16.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	16.03	15.91	16.91
0100	17.30	15.86	15.86
0130	17.30	15.93	15.93
0200	17.30	15.95	15.96
0230	17.05	15.95	15.95
0300	16.95	15.92	15.92
0330	15.90	15.91	15.91
0400	15.89	15.90	15.90
0430	15.84	15.87	15.87
0500	15.84	15.86	15.86
0530	15.82	15.87	15.87
0600	15.83	15.86	15.86
0630	15.83	15.87	15.87
0700	15.83	15.88	15.88
0730	15.83	15.91	15.91
0800	15.83	15.95	15.95
0830	15.85	16.28	18.33
0900	15.88	16.32	18.37
0930	17.05	16.32	16.37
1000	17.05	16.39	18.45
1030	17.24	16.39	18.45
1100	17.06	16.39	18.45
1130	17.24	17.51	19.59
1200	17.48	17.51	19.59
1230	18.28	20.26	22.42
1300	18.28	17.51	19.59
1330	17.24	16.39	18.44
1400	17.06	16.39	18.45
1430	17.05	16.28	18.33
1500	16.88	15.35	15.95
1530	15.88	15.92	15.92
1600	15.90	15.92	15.32
1630	17.05	15.92	15.92
1700	18.35	15.93	15.93
1730	21.37	16.15	18.21
1800	21.31	16.16	18.21
1830	21.31	16.39	18.45
1900	20.36	16.39	18.45
1930	18.94	22.31	24.51
2000	18.94	22.31	24.52
2030	18.86	20.74	22.91
2100	17.55	[illegible]	21.01
2130	[illegible]	[illegible]	21.01
2200	[illegible]	[illegible]	19.58
2230	[illegible]	[illegible]	18.45
2300	[illegible]	[illegible]	18.45
2330	[illegible]	[illegible]	18.21
2400	[illegible]	[illegible]	15.90

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 04.11.91: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	16.03	15.86	15.86
0100	17.55	15.85	15.85
0130	17.55	15.87	15.87
0200	17.55	15.93	15.93
0230	17.05	16.16	18.11
0300	15.90	16.16	18.11
0330	15.90	15.91	15.91
0400	15.86	15.90	15.90
0430	15.85	15.87	15.87
0500	15.85	15.80	15.80
0530	16.03	15.88	15.88
0600	16.03	15.90	15.90
0630	16.05	15.99	15.99
0700	16.15	16.34	16.34
0730	18.79	20.62	23.37
0800	18.79	28.35	31.48
0830	18.92	35.10	41.75
0900	19.70	41.74	50.83
0930	25.04	44.18	54.09
1000	25.04	45.18	55.20
1030	25.04	42.74	62.13
1100	25.04	39.58	47.81
1130	25.04	39.35	47.58
1200	25.04	38.22	45.98
1230	25.04	34.94	41.29
1300	25.04	25.92	30.50
1330	19.70	21.47	24.49
1400	19.70	20.29	22.83
1430	19.15	18.87	21.20
1500	19.15	18.74	21.02
1530	19.16	18.71	20.97
1600	21.37	19.66	22.35
1630	25.92	27.18	30.69
1700	53.97	25.30	29.38
1730	58.78	27.84	31.45
1800	58.18	22.44	25.39
1830	41.93	20.85	24.08
1900	29.03	34.10	40.10
1930	23.24	36.82	43.49
2000	21.79	35.32	41.58
2030	21.03	26.98	30.73
2100	18.99	23.62	26.16
2130	18.79	20.71	22.88
2200	18.79	17.76	19.79
2230	18.79	17.68	19.52
2300	16.25	16.07	16.07
2330	16.07	15.98	15.98
2400	16.04	15.30	15.90

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	McDonnell Douglas Bnk.	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Duncan Bank PLC	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Exeter Bank Limited	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Provincial Bank PLC	14
Bank of Cyprus	10.5	First National Bank Plc	14	Roxburghe Bank Ltd	11.5
Bank of Ireland	10.5	● Robert Fleming & Co	10.5	Royal Bk of Scotland	10.5
Bank of India	10.5	Robert Fraser & Ptnrs	11	● Smith & Williamson Secs.	10.5
Bank of Scotland	10.5	Girobank	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	TSB	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	Unibank plc	10.5
Benchmark Bank	11	Hampshire Trust Plc	13.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bnk	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Western Trust	10.5
CL Bank Nederland	10.5	C. Hoare & Co.	10.5	Westpac Bank Corp.	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Julian Hodge Bank	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5		
Co-operative Bank	10.5	Lloyds Bank	10.5		
Coutts & Co	10.5	Meghraj Bank Ltd	10.5		

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